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BANKING AND CURRENCY LEGISLATION

REPLIES

RECEIVED BY THE

COMMITTEE ON BANKING AND CURRENCY UNITED STATES SENATE

Congress,

SIXTY-THIRD CONGRESS
FIRST SESSION

TO

QUESTIONS SUBMITTED BY MEMBERS OF THE COMMITTEE

[Printed for the use of the Committee on Banking and Currency]

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COMMITTEE ON BANKING AND CURRENCY.

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LIST OF BANKERS AND OTHERS REPLYING TO THE QUESTIONS SUBMITTED BY THE COMMITTEE ON BANKING AND CURRENCY OF THE SENATE.

John McHugh, president, First National Bank, Sioux City, Iowa.
Fred H. Quincy, president, Planters State Bank, Salina, Kans.
D. N. Fink, president, Commercial National Bank, Muskogee, Okla.
A. L. Mills, president, First National Bank, Portland, Oreg.
Robt. D. Kent, president, Merchants Bank of Passaic, Passaic, N. J.
Wm. Ingle, vice president, Merchants-Mechanics National Bank, Baltimore, Md.
Andrew J. Frame, president, Waukesha National Bank, Waukesha, Wis.
J. R. Mulvane, president, Bank of Topeka, Topeka, Kans.
S. H. Burnham, president, First National Bank, Lincoln, Nebr.
James K. Lynch, vice president, First National Bank of San Francisco, San Francisco, Cal.
J. H. Stewart, Wichita, Kans.
Eugene Marshall, Manchester, Tenn.
Harry B. Fish, secretary, Peoples Money League, Chicago, Ill.
Karl F. M. Sandberg, Chicago, Ill.
Theodore Gilman, New York, N. Y.
J. R. Greenlees, Lawrence, Kans.
Sigmund Feust, president, South Bronx Property Owners' Association, New York.
Carl Pieper, Menominee, Wis.
James D. Holden, Denver, Colo.
George G. Merrick, Nyssa, Oreg.

BANKING AND CURRENCY LEGISLATION.

QUESTION NO. 1.

What are the essential defects of our banking and currency system?

ANSWERS.

Nonflexible reserves. Nonelastic currency. Inadequate discount and credit facilities.

JOHN McHUGH,
President First National Bank, Sioux City, Iowa.

The essential defects in our banking system are:

First. Impossibility of concentrating our reserves.

Second. Our inelastic currency.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

I regard the essential defects in our banking and currency system to be a lack of concentration and elasticity of both credit and currency.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

The essential defects of our present banking and currency system are:

First. Scattered reserves. The cash resources of the country are scattered far and wide in individual bank vaults, instead of being mobilized. It is like a city that depends for fire protection upon individual water tanks on the top of each and every house, instead of upon a central reservoir from which water can be piped to any point of danger.

Second. The inability of our circulating medium to respond to the ebb and flow of business; in other words, the inelasticity of our currency.

Third. The inability of our banks to facilitate the commerce of the country by rediscounts or by means of acceptances.

A. L. MILLS,
President First National Bank, Portland, Oreg.

The practically fixed volume of circulation when secured by bonds regardless of the demand for or supply of money.

The knowledge always present under existing law that beyond a certain limit, usually full, it is impossible to increase the volume of circulating medium excepting by resort to extra legal practices (the Aldrich-Vreeland emergency currency act is helpful and will be useful should occasion require before the enactment of proper law); unscientific, in that circulation is based upon a credit instrument—United States bonds, and not gold—in which such notes are required to be redeemed if demanded, although banks maintain no gold reserve against them. The reserve laws, which, in inviting pyramiding of reserves and credits at the same time give improper advantage to banks in reserve cities, and especially in the central reserve cities.

WM. INGLE,
Vice President Merchants-Mechanics National Bank,
Baltimore, Md.

The essential defects of our banking system are not material. Our currency system alone is defective, as it lacks flexibility to relieve us in abnormal periods. In normal times rigidity of currency issues is practically immaterial.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

Lack of elasticity and the fact that it is not in harmony with the business of to-day.

J. R. MULVANE,
President Bank of Topeka, Kans.

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(1) *The currency.*—Based on the funded debt of the United States, and has consequently no relation to the commercial requirements of the country. The profit to the banks in issuing circulating notes is greatest when the price of Government bonds is low, and the greatest profit is obtained by keeping the notes out, so that there is a tendency to expand the circulation to the limit in times of prosperity, with no tendency to contract. There is consequently no resource available when a period of financial strain causes an excessive demand for currency.

(2) *Legal-tender notes.*—A relic of the war, which entailed an enormous loss upon the Government and upon the people of the United States during the time of their issue and greatest circulation, and which are still a constant source of loss in the necessity for maintaining a reserve against them, and at intervals selling bonds to maintain the reserve. They are promissory notes and should be canceled when paid.

(3) *The reserves.*—Fixed in amount by law regardless of local conditions. Scattered throughout the country, and consequently unavailable for use at points where and when needed. They should

be massed at strategic points where they would be available. Concentration of reserves does not mean concentration of credit; actually the reverse.

(4) The Government's hoards of gold withdrawn from commercial use and greatly limiting the credit possibilities of the banks.

(5) Permission to accept time drafts should be granted to the banks in the leading commercial centers to enable the financing of the importation of foreign merchandise.

James K. Lynch,
Vice President the First National Bank of San Francisco.

Principally inability to expand and contract automatically with the demands of the times.

J. H. Stewart,
Wichita, Kans.

The greatest defect in our national banking system is in the reserve. The currency plan is also defective.

Eugene Marshall,
Manchester, Tenn.

The most essential defect of our financial system is that it is privately instead of publicly owned, controlled, and managed. As a consequence it is arranged for private profit instead of for public use. This defect leads to all the others, such as usurious interest rates, uncertainty of supply, discrimination in loans, panics, etc.

Karl F. M. Sandberg,
Chicago.

We are trying to carry on a credit system without the support of a credit currency.

Both State and National Governments have established and legalized the credit system of banking; that is, banks are authorized to receive deposits and loan 75 per cent thereof and retain in cash 25 per cent to meet the demands of depositors to whom the banks owe 100 per cent.

This is the credit system, and it is based on a calculation of probabilities. It is not probable that more than 25 per cent of deposits will be demanded at once, and meanwhile the banks will be able to collect in money due them to meet further demands.

But extraordinary demands are likely to occur and some provision must be made to meet them.

Our credit system makes no provision beyond the cash reserve, and when that is invaded the banks must force collections to preserve their solvency. Merchants must rudce their stocks in trade to raise cash to meet their paper, and if a combination of alarming events happen at the same time the banks are compelled to continue the forced liquidation even if it causes a complete prostration of the mercantile community. This situation is called a monetary panic. The cause

of such a calamity is the struggle of the banks to maintain the cash reserve required by law. There is no credit currency in our system and all demands for money for any purpose must be met by drafts on the reserve of lawful money.

It is evident that if a safe credit currency could be provided by law all domestic calls for money could be met thereby and the disturbance caused by a decline of the legal reserve to or below the "apprehension minimum" would be avoided.

So it must appear that the essential defect of our banking and currency system, and there is but this one, is that we are trying to do a credit business without a credit currency.

THEODORE GILMAN,
New York.

The essential defects of our banking and currency system (if it may be called a system) are that under our present laws we have some 25,000 individual institutions, each with no relation to the other, all having practically the same powers so far as ability to protect themselves is concerned, and no head provided that is obligated to protect the sound, honestly managed bank in an emergency, or in case there is need for more funds than the local bank is able to furnish. This is the greatest defect, and is responsible for most of the conditions, to which we object, that have grown up under our present laws. Because of this weakness we are compelling each individual bank to carry its own reserve, which is virtually as foolish as if we were to pass a law compelling every man in the United States to carry his own fire or life insurance reserve. You know about how effective that would be.

J. R. GREENLEES,
Lawrence, Kans.

Originating as a war measure conceived and put in practice to enable the Nation to prosecute war, it has left the people after the restoration of peace in one continuous, economic struggle ever since increasing and decreasing intensely more or less.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

That the money necessary to do the business of the country is issued through the banks and not to the people direct (by the people we mean such units of our established Government as are now authorized to levy taxes, as States, counties, cities, and townships), thereby putting the banks in absolute control of our currency. "Show me who controls your money and I will tell you who rules your people."

CARL PIEPER,
Menomonie, Wis

Our currency system is one thing, our banking system another. They should not be confounded, but should be considered separately.

Our banking system exists only because of our imperfect currency system.

The essential defect of our currency system is a currency deficit exceeding the enormous sum of fourteen thousand million dollars (about $140 per capita), as shown by a correct interpretation of the latest report of the Comptroller of the Currency.

The defects of our banking system are due to this dearth of Government money.

JAMES D. HOLDEN,
Denver, Colo.

The defects of the present so-called national-bank system are many. It is sufficient to say that it is a panic-breeding, trust-creating scheme—a device of the banks, by the banks, and for the banks, who are by it constituted a privileged class.

GEO. G. MERRICK,
Nyssa, Oreg.

QUESTION NO. 2.

Enumerate concisely its advantages and disadvantages.

ANSWERS.

Principal disadvantages are set forth in answer to question No. 1. Advantages are many but insufficient and not nearly what they could be for the general business of the country if our laws were properly remedied.

John McHugh,
President First National Bank, Sioux City, Iowa.

We do not want a central bank with branches as in European countries. Our independent banking system is all right, providing we can have a central organization where a part of our reserve can be centralized, so that in the aggregate it would be a large sum and would be available quickly in an emergency. It would prevent money panics.

That condition, together with the right for such a central organization to issue currency on strict commercial paper, under control of a conservative board made up of experienced, practical bankers, together with the Secretary of the Treasury and the Comptroller of the Currency, would put us in much better shape than we are under our present condition.

S. H. Burnham,
President First National Bank of Lincoln, Lincoln, Nebr.

To my mind, the great advantage of our banking system is its individual, independent, and local ownership and management. To my mind, there is no single agency that has done more to build up and extend civilization and commerce in this country than this one condition in its banking system. The management and ownership of nearly every bank in the United States is local and the bank with all its resources, which are largely local, are used for the upbuilding of the community in which it is located, and in my opinion it would be a sad thing to see this changed in harmony with the branch banking systems of other countries to any extent. The disadvantages of our banking system are included under No. 1.

Fred H. Quincy,
President Planters' State Bank, Salina, Kans.

The advantages of our present system over banking methods in vogue before the national-bank act became a law are so apparent to every student of finance that enumeration is unnecessary. Chief, however, is the fact that it has given us through the national-bank notes a circulating medium the value of which has never been questioned, and that has well carried out the objects of the originators.

The essential disadvantages are set forth in reply to question No. 1, to wit: Scattered reserves; elasticity; failure to provide banks with the authority to accept drafts.

A. L. Mills,
President First National Bank, Portland, Oreg.

Advantages under present banking laws are principally with banks in central reserve cities where in the presence of a concentration of reserves full benefit is had of the artificial situation created by law. Practically all other advantages have disappeared with the lapse of time since the Civil War, which gave birth to our present system.

Disadvantage—a redundant supply of circulation during, say, six months in each year, resulting in speculation and investment of funds in unsafe directions simply to keep them employed, and from which they can not be withdrawn.

Wm. Ingh,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

None that any other system could not offer.

Its disadvantages are the rigidity of our currency, there being too much in times of dull business and too little when business is active, and that it has not expanded commensurately with the growth of business of the country.

J. R. Mulvane,
President Bank of Topeka, Kans.

The disadvantages have been already stated; the advantages are less obvious. An excellent system of individual banks has grown up under the national banking laws, but the banks have no coherence, no method of protecting their reserves in times of excessive withdrawal, and at such times are as helpless as an undisciplined and unguided mob.

James K. Lynch,
Vice President First National Bank of San Francisco.

Its advantages are that all kinds of money are equally good and acceptable, and its disadvantages, as stated in No. 1, namely, principally inability to expand and contract automatically with the demands of the times.

J. H. Stewart,
Wichita, Kans.

The reserve system is objectionable for the reason that it concentrates vast amounts of money in the custody of the banks of the reserve cities and provides no adequate security for its safe-keeping or return.

The great banks of the reserve cities are largely controlled in the interests of the great trusts, and the bank reserve is the source of their largest and most reliable money supply.

This same bank reserve has been the nursing mother of the gambling stock exchange.

Three times the reserve banks, by a mutual agreement which deserves the name of conspiracy, refused to pay reserve depositors in money, and in so doing placed a great majority of the banks of the United States in a position of at least technical bankruptcy.

Bankers who recollect 1873, 1893, and 1907 have no wish to repeat the experience.

EUGENE MARSHALL,
Manchester, Tenn.

The national-bank note has always been accepted on the credit of the United States Treasury, never as an obligation of the bank which it pretends to represent.

The system which makes these notes a first lien on all the assets of the bank is unjust to the depositor, as it virtually makes him a partner in the business of the bank, and in case of failure materially reduces the pro rata dividends.

The national currency has never been popular with the common people, who regard the interest-paying bond security as a special privilege allowed to the banks at the expense of the people.

An attempt was made once to organize a boycott against the national currency, and it only failed in consequence of the one redeeming feature—the national-bank note never defaulted.

EUGENE MARSHALL,
Manchester, Tenn.

Its main advantage is immense profit and privileges to those few who control it, but there are corresponding disadvantages to the other 99 per cent. To these the only advantage is that it supplies the circulating mediums, which our Congresses persistently have refused to supply. But these mediums on the other hand are supplied at extortionate rates and subject to the whims of private control.

KARL F. M. SANDBERG,
Chicago.

If a safe credit currency can be established, the banking system of the United States would lead the world.

Our banking system is the result of a struggle against monopoly and in favor of making the trade of banking free to all under a general law. The struggle is not entirely won, but it is evident that the monopoly contained in the plan recommended by the National Monetary Commission January, 1912, has been definitely rejected by public disapproval and the action of the great political parties.

The New York free banking law of 1838 was the logical sequence to the principles of the Declaration of Independence. It was enacted only after a strenuous contest, but it settled the question against monopoly in this country forever.

The advantages to the people contained in our banking laws are overwhelmingly in its favor and can never be taken away from them.

There was not enough light on the banking question in 1838 to formulate a plan without some defects, but they are adventitious, and subsequent experience in banking has shown how they may be easily removed.

The chief disadvantage is in a bond-secured currency, which experience has shown is not responsive to the demands of business. And yet in 1838 it seemed the only way in which a free banking system could be established.

The principle underlying a bond-secured currency is not in the character of the security pledged, but in having the services of a trustee to act on behalf of the note holder. It is evident that if numerous banks are to be started all over the country, public safety requires that they must deposit with a trustee security for the notes they are authorized to issue.

So while the defects of a bond-secured currency are acknowledged, the services of a trustee must be recognized as essential in a system of free banking, the benefits of which are to be diffused in all parts of the country and not to be monopolized by any one section or powerful moneyed combination.

THEODORE GILMAN,
New York.

Practically the only advantages which we can show under our present system of banking laws lie in the fact that our individual banks, being locally owned and locally managed, can and do know better the needs of the community and what should be done in caring for them than a branch of any large bank could do. The disadvantages come from the absolute lack of power of the individual unit to protect itself, to say nothing of caring for its neighbors.

J. R. GREENLEES,
Lawrence, Kans.

Advantage: Absolute security of the national-bank notes; saving of exchange cost.

Disadvantage: The exclusion of State bonds and other securities, and the restriction to United States bonds as security deposit for the circulation.

(*b*) The creation of a power thereby as strong at least if not stronger than the Government itself.

(*c*) The subversion of legitimate enterprise and competition and the replacing of these by monopolies and trusts.

This is not to be considered as a plea to allow privately or similarly owned railroad companies' mortgage bonds as a substitute, as long as no radical change is made.

The advantage of security which the present national-bank currency has is very costly to the people and outweighed by the aid it has furnished in the formation of a money trust.

(*d*) Curtailing of the working forces of the Nation.

(*e*) The complete creation of money and other trusts, made possible only by the aid of the banking laws.

(*f*) Insufficiency and failure to accomplish the purposes for which banking and currency exists, viz, to facilitate exchange and credit enterprise and prevent panics.

(*g*) It prevents the middle and lower classes from action to aid themselves by their own initiative.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

The advantages are all on the side of the bankers, as our present system gives them complete control of the business of the country by withholding or extending credit. All the panics since 1864 were caused by our present national banking and defective currency system. This was plainly shown in the panic of 1907 when the large eastern bankers completely paralyzed the business of the whole country. The millions of money deposited in the banks by the people could not be touched by their owners. These same bankers compelled all the millions in the United States Treasury to be put at their disposal; and the President of the United States, that proudest of all Americans, Theodore Roosevelt, was brought to his knees, and he promised them immunity from prosecution in their lawless acts in absorbing the southern steel industry. This certainly was an advantage to the bankers, as it made them complete masters of our Government. The disadvantages to the people other than bankers are too many to enumerate. Millions of people were thrown out of employment. Here in Wisconsin thousands of men were sent home from the lumber camps because the contractors were informed by their bankers they could not let them draw their own (the contractors') money. Thousands of business men were bankrupted, and business was completely paralyzed. What greater advantage to the bankers and what greater disadvantage to the people could anybody desire?

CARL PIEPER,
Menominee, Wis.

QUESTION NO. 3.

What are the chief purposes to be attained in an improved system?

ANSWERS.

The chief purpose to be attained in remedying existing law is to make it possible for the credit needs of the producer, be he a farmer, stock raiser, or other, to be available until consumption or exportation of that which he produces enables him to liquidate obligations incurred in production. To attain this purpose it ought to be possible for his banker to realize, in proper amount, credit or currency, or both, upon the obligation in proper form of the producer at a central or district reserve bank.

JOHN MCHUGH,
President First National Bank, Sioux City, Iowa.

The chief purposes to be attained are:
Centralization of our reserves.
The means of securing currency to meet the demands of business.
The cooperation of the banks.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

The chief purposes to be attained in an approved system, in my opinion, are concentration and elasticity of reserves, both in credit and currency, and better protection to bank depositors.

FRED H. QUINCY,
Presient Planters' State Bank, Salina, Kans.

The chief purposes to be attained in an improved banking and currency system are: To concentrate the scattered cash resources of the country; to prevent the pyramiding of bank reserves; to provide, under proper restrictions, for an elastic currency that will respond to the demands of commerce; to expedite business by granting banks the right of accepting drafts; to provide a central source, or sources, where banks may rediscount commercial paper without evoking criticism of the solvency of the bank.

A. L. MILLS,
President First National Bank, Portland, Oreg.

Divorce of the Government from the business of banking excepting only in its very proper capacity as overseer and regulator under a law which, in making for safety both to banks and the public, should prevent exploitation of either by unscrupulous or selfish individuals.

WM. INGLE,
Vice President Merchants-Mechanics National Bank,
Baltimore, Md.

To secure elasticity and a better reserve system.

J. R. MULVANE,
President Bank of Topeka, Kans.

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(1) The establishment of a note issue which shall be directly responsive to the commercial requirements of the country, and which shall be based, not upon the fixed investments (bonds, real estate, etc.), but upon the liquid commercial assets.

(2) The restoration of the Government hoards to commercial use.

JAMES K. LYNCH,
Vice President the First National Bank of San Francisco.

Greater security and elasticity.

J. H. STEWART,
Wichita, Kans.

The chief purpose to be attained is security for bank reserves and ultimate security for bank depositors.

Also to secure a currency always available to the smaller banks and to business men.

EUGENE MARSHALL,
Manchester, Tenn.

The chief purposes to be attained in an improved system are:

1. To arrange for the creation by the Government of Government money to finance Government works independent of private capital.

2. To furnish a sufficient medium of exchange, avoiding the necessity of interest-bearing loans. Sufficient useful and productive Government work paid for by Government money is all that is required to furnish a sufficient medium of exchange. This will also prevent unemployment.

KARL F. M. SANDBERG,
Chicago.

There is but one chief purpose to be attained in an improved system. It is to supply a credit currency as an adjunct to our credit system. As long as we lack a credit currency we must expect trouble. It is inevitable.

All other disadvantages are trivial and unimportant compared to this.

The question is how shall this credit currency be issued.

The banks in the New York Clearing House have answered this question for us and have set us an example which is so perfect that all we have to do is to adapt it to the public. The banks have made a currency between themselves which is so strong and good that no losses have ever been recorded in its issue.

That is the kind of currency the public want. No currency can be too good for them. The banks can not take the position that when they make a currency for themselves they make it absolutely good, but when it is made for the public an inferior article will answer just as well.

That it is possible to adapt the methods of the New York Clearing House to the country at large is shown by the inclosed bill, which was introduced by Senator Thomas C. Platt in the third session of the Sixtieth Congress. I inclose also an argument submitted to the Senate Finance Committee at that time.

This bill is simple in its operation and entirely practical and has received the approval of many bankers and business men.

The objections to the bill are many. The chief is that the banks do not want to cooperate for the benefit of the public, and they do not want the supervision of Congress over the affairs of the clearing houses. These objections should have no weight with Congress when a great public good is proposed.

In order to set before the committee a full answer to this question I append hereto copies of my books, as follows: A Graded Banking System, published in 1898, on page 130 begins the text of my first bill to incorporate clearing houses, introduced in the House of Representatives January 7, 1896. On page 152 is given my first article proposing the incorporation of clearing houses under a Federal law, as published in the Bankers' Magazine September, 1893. I have therefore been advocating this measure for 20 years. While many have written on this subject since 1893, I do not know that anyone else has framed a bill to carry the idea into effect.

Federal Clearing Houses, published in 1899. In a hearing before the House Committee on Banking and Currency, given on pages 22 to 148, you will find The Remarkable Accounts of the Bank of France, page 115, and the speech of Mr. Goschen after the Baring failure, which I had copied from the London Times at the Astor Library, pages 124 to 148. This copy has value because Mr. Goschen changed the text somewhat when he published it in his book.

In further answer to this question I would respectfully refer the committee to my article in the North American Review of August, 1908, on the Aldrich-Vreeland bill.

I prepared bills which were introduced in the Fifty-fourth, Fifty-fifth, Fifty-seventh, and Sixtieth Congresses, all on the same subject and with the same object. Changes were made as the result of discussions with Members of Congress and bankers, so that the bill introduced by Senator Platt is in better form than those which preceded it.

In order that the committee may know some of the opinions expressed regarding this plan, I append the following:

The Banking Law Journal, New York, said editorially:

We think Mr. Theodore Gilman's book upon A Graded Banking System affords a solution of the problem.

The North Western Banker, Des Moines, Iowa, said:

The plan as proposed by Mr. Gilman is the best yet brought forward for the prevention of panics.

The Bankers' Magazine, New York, said:

When Congress shall take up the currency question with a disposition to deal seriously with the subject, the proposals of Mr. Gilman will be found worthy of careful consideration.

The New York Tribune said editorially:

Of all the plans for the adjustment of the bank circulation to the needs of business, the one which seems to furnish a better basis for wise and safe action than any other yet offered is that urged by Theodore Gilman, of this city, and approved by Charles Parsons, of St. Louis, Mo., formerly president of the American Bankers' Association.

A. M. Peabody, of St. Paul, Minn., said:

At reserve centers the banks could form themselves into a cohesive condition, capable of resisting panic, mitigating trade depressions, and supporting the confidence of depositors. The incorporation of the clearing house would give the association of banks a legal status.

The late Henry D. Lloyd, author of A Country Without Strikes, etc., wrote Mr. Gilman as follows:

You have, I think, in your plan made the most important contribution to practical finance that has been proposed by any financial writer of modern times.

The Review, a financial journal published in Sydney, Australia, said:

For the provision of an elastic currency in the United States we have seen no more suitable scheme than might easily be made out than that suggested by Mr. Gilman. We shall watch its course with interest, and have pleasure in saying that, in our opinion, the world is indebted to Mr. Gilman in no small measure.

R. S. Paden, in the Journal of Political Economy, Chicago, wrote:

There is need of a measure, authorized by law, that will be effective throughout the Union, in relieving the strain of credit contraction forced on the banks under our present system. Mr. Gilman's book is a strong presentation of the merits of his plan, and in view of the great importance of an elastic currency in our monetary operations it behooves those opposed to this, or who have rival plans, to show the weakness of his cause.

The New York Evening Post, in an editorial on "Federal clearing houses," said:

If the object of the (Gilman) bill could be carried out, the country be grouped into national clearing-house associations of sufficient size, there is no doubt that notes issued upon the combined responsibility of these associations would be perfectly secure.

Prof. Joseph French Johnson, now of the University of the City of New York, in a review of the "Graded banking system," said:

As a protection against panics due to a dearth of media of exchange, his (Mr. Gilman's) system would undoubtedly prove effective.

In a subsequent letter to Mr. Gilman he wrote:

It may interest you to know that Secretary Gage asked me not long ago if I had read your book. He said I really ought to read it, for it contained about the best scheme for an asset currency which he had seen. It should give you

some satisfaction (continued Prof. Johnson) to know that you have made so distinguished a convert.

Subsequently, at the December, 1900, meeting of Group VIII of the New York State Bankers' Association, Lyman J. Gage, then Secretary of the Treasury, discussed a combination of banks without monopoly. He said it may be possible to secure the advantages of centralized authority and power while avoiding this apprehended danger. He said:

The operation of your own (New York) clearing house in times of peculiar stress and peril typifies what may be realized along the broader lines to which I refer. Is it not possible under the sanction of law to perfect and extend for the general good of the country a similar plan and one which has been so well demonstrated?

The Bankers' Magazine, in commenting editorially on this speech of Secretary Gage, said:

Mr. Gage did not wish his hearers to understand that this idea was original with him. Mr. Walker, of Massachusetts, and Mr. Gilman, of New York, and doubtless others, have suggested something on the same line. Mr. Gilman's plan was fully explained in the magazine for April, 1899, pages 515, 594. If the banks are ever permitted to issue their own notes, it will be essential that the notes put out by an obscure country bank shall be practically as good as those of a bank in any of the financial centers. This can, perhaps, be best assured by some plan, such as Mr. Gage outlined.

OPINIONS OF SMALL BANKS.

C. F. Bently, cashier of the First National Bank of Grand Island, Nebr.; capital, $100,000. He wrote:

I am thoroughly in favor of concentrating all efforts in regard to currency reform on an attempt to secure legislation that will permit the issue of emergency currency by clearing houses.

J. B. Thomas, vice president American Bankers' Association for Missouri. Bank of Albany, Mo.; capital, $30,000.

My reasons for thinking favorably of your measure are various. First, I like the plan of clearing-house issues over the country, as they come nearer the people and the smaller banks. Second, I think the security proposed would be ample to protect the notes and would make them as certain of payment as the present mode of issuing national bank currency. Third, I especially commend the measure because it leaves every bank, no matter how small, maintaining its separate existence, while some of the other plans do not.

Theodore C. Stevens, vice president American Bankers' Association for Ohio:

I beg to state that I have no objection whatever to the use of my name as one who is unqualifiedly in favor of such a measure as you propose. The country is alive to the necessity of an emergency currency and I believe the present Committee on Banking and Currency will recommend some measure during the session. I hope it will be your bill.

J. N. Barnes, president Minnesota Title Insurance & Trust Co., Minneapolis, Minn., wrote:

I wish to compliment you upon the conception of this plan. The idea is brilliant and upon the face of it the plan is attractive.

H. E. Jones, vice president American Bankers' Association for Virginia; president of the Dominion National Bank, Bristol, Va. He wrote to Members of Congress for Virginia as follows:

Herewith I inclose statement of Theodore Gilman, explaining his bill introduced into Congress, which appears to be one that should receive the support of the bankers of the country.

Action of Washington State Bankers' Association, held at New Whatcom, Wash., July 23, 24, 25, 1903:

In a discussion on the currency, A. L. Mills, president of the First National Bank of Portland, Oreg., the largest bank north of San Francisco, said:

When a good hard panic strikes the country, self preservation becomes the first law; every bank for itself and the receiver takes the hindmost.

Hon. E. O. Graves, vice president Washington National Bank of Seattle, said:

The true remedy is asset currency, secured on the credit of the bank.

Theodore Gilman, of New York, followed, advocating the issue of currency through clearing houses incorporated under a Federal law.

On the 25th of July, the convention adopted the following resolution:

Resolved, That the Washington State Bankers' Association express its hearty indorsement of the efforts being made to amend our present banking laws so as to provide a thoroughly scientific system of currency that will prove responsive to the requirements of business, automatically expanding and contracting according to the demands of trade and commerce, and to that end we favor a clearing-house emergency circulation.

The Seattle Daily Times, of July 25, said editorially:

The argument advanced by Theodore Gilman, in favor of a clearing-house emergency circulation was the most forceful and clearest presentation of the question before the convention, and would meet with the largest general acceptance of any of the plans offered.

The attention of the public is returning to the clearing-house plan, as evidenced by an editorial in the New York Times of June 18, 1913, on "Banking Reserves and Bank Credits," in which it is said:

This (reform) can be done, not by an entire recasting of the laws, but by a process of evolution, by building upon the basis and practice of the country's clearing houses. The change would not be radical, it would involve not creation of entirely new banking machinery, for the country is already familiar with the work of the clearing houses; it understands how admirably they have performed their usual functions and with what courage and resourcefulness they have met the demands put upon them for the protection of the country's business in times of stress.

THEODORE GILMAN,
New York.

The chief purposes that should be desired in an improved system are: A unification of the combined banks and their reserves into one common head, making every bank in the United States virtually a branch of this central organization, yet leaving each unit its present local ownership and local management. This head should be obligated to carry the gold reserve for all of the other banks and for the Government of the United States, and should be the sole bank of issue, and in addition should be a bank of discount, with dealings limited to the National Government and the other banks of the country. This head, whatever name it may be called, should have for the convenience of the public a branch in every reserve center in the United States, that the banks of that district could deal directly with, without any inconvenient arrangement, and so far as possible

the banks of the United States should carry what reserve they require in the vaults of this central organization or head to the banking system.

J. R. GREENLEES,
Lawrence, Kans.

(*a*) To alleviate, improve, and remedy the state described in answer to question No. 2.

(*b*) To create a banking system and facilities in aid of the common people for the poorer and middle classes, traders, manufacturers, builders, etc., and nonmillionaires, preventing usury for the benefit of those classes who are the real sinew and bone of the country, like the farmers, those who are outside trusts and combinations, instead of as now for the railroad gatherers, etc., and multimillionaires, who should be prevented from controlling and using the resources which should be used to aid the classes stated in the first part instead of as now to crush them.

One of the chief purposes rests in the misappropriations in which the savings of the people as gathered by life insurance companies and the like are used to crush the smaller and legitimate trader, manufacturer by the aiding and supporting of trusts.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

The chief purpose to be attained is a supply of Government full legal tender currency sufficient to the needs of our country (not for the purpose of being loaned to China or to invest in Mexico), that all those of our citizens who are willing to labor and produce wealth may be employed at all times at a fair wage; that the farmer may be paid a fair price for the product of his farm and that the real wealth producer is not robbed of the reward of his labor by the manipulations of the speculator in money.

CARL PIEPER,
Menominee, Wis.

A perfected currency system would eliminate the universal interest-paying custom—the custom of paying " interest " for a circulating medium when obtained on pledge of security.

The following reasoning justifies this conclusion, viz:

The individual " borrows " only such things as he needs and does not own. When it is impossible to own, he must borrow the thing he needs or do without it. The thing that everyone needs in complex society is a circulating medium. It can not be generally owned so long as a sufficient supply is not in existence. Those who have it not must borrow and pay " interest " to those who have a surplus. Thus the universal currency shortage begets the universal interest-paying custom. What an insufficient currency begets a sufficient currency will eliminate.

" Credit " is the only available substitute for money. " Bank credit " is the best substitute because the most available. It is the

commercial equivalent of cash. It dwells in the leaves of the bank ledger. It circulates in the form of "checks" and "drafts."

The dearth of Government money creates a great demand for this private substitute—a demand which enables those who can supply it to exact for its use a charge called "interest."

We literally force ourselves to use and pay interest for bank credit by failing to provide a sufficient volume of Government money—a volume that would permit the followers of useful pursuits to acquire and own the money they need to gratify their reasonable wants and to "finance" their commercial undertakings.

So long as there is a great currency deficit only a smell percentage of society can possess and own the currency each one needs. Were a sufficient supply in existence, the industrious would naturally acquire their quota, be it much or little.

To realize that the interest we collectively pay each year on the fourteen billions of bank credit now in daily use exceeds the value of the entire surplus product of our every industry (as indicated by the annual increase in national wealth) is to partially appreciate the defects of our financial system.

Our $14,000,000,000 currency deficit is traceable to the fact that we grant to owners of wealth, in the form of gold bullion and national bonds, a right we unwittingly deny ourselves; i. e., the right to have our property values monetized by the certificate process, on application, free from an interest charge.

When the owner of gold bullion wishes to have his form of wealth converted into coin or representative money (coin certificates) the present currency law permits him to do so at a nominal charge. Owners of Government bonds were given the same right in 1864 under the national banking act. Every other wealth owner, however, is denied this essential right by the provisions of the currency law; a law which enables gold owners and certain bond owners to have their wealth converted on application from a form in which it will not command "interest" in the market into a form in which it will.

Our currency system therefore is defective in the particular that it unduly restricts the supply of representative money by wrongfully confining the issue to the owners of these two forms of wealth; thus rendering the indispensable circulating medium so inaccessible to the many, to whom it is a necessity, that it and its credit substitute commands a price in the market that absorbs the surplus fruit of toil as fast as it is produced.

"Representative money," whatever its material, is absolute money when invested by law with all the legal powers of specie; that is to say, when endowed with the full legal-tender quality that is imparted by law to metallic coins. Such currency, like coin, then has a market value for an exceptional use equal to its denomination, viz, for adjusting accounts, for facilitating exchanges, and for conserving individual earnings.

Because of its unchanging value for these uses, legal-tender currency effects exchanges on the basis of the relative and fluctuating value of the articles exchanged. Being the only thing that has a fixed value for any purpose, we utilize it as an exchange medium. Worth one, five, or ten dollars for adjusting accounts, the money

symbol is the exchange equivalent of commodities worth a like sum for other uses. It is worth its face value for paying debts and taxes whether "redeemable in gold" or not.

Certain forms of imperishable wealth have ever been the basis of the currency issues of the civilized world, viz, gold, silver, and (in the United States) Government bonds. To increase the currency, without departing from the accepted principle of currency issue, it is only necessary to enlarge the property basis against which currency certificates are issued for commercial uses on application of the owner.

A simple, conservative, and practical method of supplying the present deficit would be to enact a law making improved real estate intown and country eligible to monetization by the certificate process at a permanent abritrary valuation, in addition to gold, silver, and Government bonds. Note the fact that gold and silver are monetized by the certificate process as effectually as by the coinage process.

The vision of an "inflated currency," which the proposal to issue $14,000,000,000 of new Government money suggests to the average intellect, gradually fades away as the inquiring mind realizes that such an increase of tangible currency does not necessarily mean an equal increase in the circulating medium. To appreciate the fact that the circulating medium with which the present business of the country is transacted consists of about 3,000,000,000 of cash and some $14,000,000,000 of bank credit is to perceive that a substitute of cash for the bank credit we are using would not increase the actual circulating medium, and therefore would not unduly inflate prices.

JAMES D. HOLDEN,
Denver, Colo.

The purposes to be obtained by an improved system should be justice to all, special privilege to none.

GEO. G. MERRICK,
Nyssa, Oreg.

QUESTION NO. 4.

Should national banks continue to have a bond-secured currency?

ANSWERS.

National banks should not continue to have bond-secured currency any longer than a proper change can be made without business disturbance. This change should be worked to gradually.

JOHN MCHUGH,
President First National Bank, Sioux City, Iowa.

I see no reason why a portion of the currency may not continue to be secured by Government bonds.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

I do not think the national banks should continue to have the exclusive advantage of bond-secured currency, if at all. Currency is for the convenience of the public to furnish a medium of exchange to transact the business of the country, in which the national bank, or any other bank for that matter, is no more interested than any individual in business or trade.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

National banks should continue to have a bond-secured currency unless there can be substituted for it the currency of a central bank or banks based upon a gold reserve; only such gold-sustained currency is better than the national-bank currency, the merit of which has been proved by nearly 50 years of use.

A. L. MILLS,
President First National Bank, Portland, Oreg.

Only so long as may be required to readjust a present situation without loss to banks which have bought United States bonds at a price 25 per cent higher than their investment value, upon faith in their Government, and until the Treasury can fund outstanding twos with honor to itself.

WM. INGLE,
Vice President Merchants-Mechanics National Bank,
Baltimore, Md.

Issuing currency is not a necessary banking function; witness the fact that national banks alone in the United States enjoy that privilege, and further, except for limited quantities of uncovered currency in the progressive countries of Europe, issues of currency are practically confined to single central banks largely as flexible measures. The Bank of England is an exception as its note issues are rigid. It breaks the back of panics by breaking the law in temporarily issuing extra penalized currency that expands to relieve the strain and immediately is retired to prevent inflation of currency and credit.

Andrew J. Frame,
President Waukesha National Bank, Waukesha, Wis.

As long as there are United States bonds available for the purpose they should have a bond-secured currency for a portion of their issue. The issue beyond that portion should have an elasticity, which is impossible when secured by bonds.

Robert D. Kent,
President Merchants Bank of Passaic, Passaic, N. J.

All paper issues could be secured by, say, 25 per cent gold, and the balance equally divided by bonds and A 1 commercial paper; any increase in time of emergency to be secured by A 1 commercial paper, and first-class farm mortgages not exceeding 40 per cent of the land value.

J. R. Mulvane,
President Bank of Topeka, Topeka, Kans.

No.

James K. Lynch,
Vice President First National Bank of San Francisco.

In part at least, and any change to another form should be arranged to come slowly.

J. H. Stewart,
Wichita, Kans.

They should not. Bond security is a snare and a delusion.

Eugene Marshall,
Manchester, Tenn.

No. National banks should not be allowed to issue or have issued to them any currency at all. That is the constitutional privilege of Congress.

Karl F. M. Sandberg,
Chicago.

The bond-secured currency should be continued only as long as is necessary to close the investment in bonds without loss to the banks. The honor of the Government is at stake, as it has in a measure induced the banks to take our currency on bonds and it should see the banks safely through by enacting whatever legislation is necessary.

It has been conclusively proved that a bond-secured currency does not respond to the demands of business. This criticism was made shortly after 1838 when the plan was adopted by the New York Legislature. At that time no other way could be devised to provide the banks organized under a general law with currency. The disturbances of 1837 showed that note holders required the services of a trustee to hold the security for the notes and that principle holds good at the present time as well as in 1837. Secretary Chase followed the same plan and made the Treasurer of the United States the trustee and the security the bonds of the United States when he formed our present national banking system. This plan must be followed now in any change in our banking laws as an integral part of banking under a general law.

The termination of the present bond-secured currency need not be made part of a new banking measure, but should rather be dealt with in a separate act. All subjects not essential to banking reform should be excluded from the proposed bill, so as to make the new measure as simple as possible in all its aspects.

The points established in 1838—that is, a trustee for the currency and approved collateral security—can be attained now by making clearing houses the trustees and limiting the security to the classes in which national banks are authorized to invest their funds by the national-bank act. Further safeguards can be added by following the methods long adopted by the New York clearing house.

Theodore Gilman,
New York.

No.

R. Greenlees,
Lawrence, Kans.

Not absolutely nor for a long period either—a tax levied on the issue of currency and kept in the Treasury for safety fund would in about a decade create a sufficient safety fund.

Sigmund Feust,
President South Bronx Property Owners' Association,
New York City, N. Y.

Should national banks continue to have a bond-secured currency? No. Keep the bankers, national as well as private, out of the currency business. This is the function of the Government, and can not safely be delegated to anyone else.

Carl Pieper,
Menomonie, Wis.

Assuredly not. A currency that is something which is not money—a mere credit device intended to serve as a substitute for and in lieu of money—is an abomination, a panic-breeding lie, a thing that no nation actuated by a reasonable desire for the general welfare can contemplate the use of.

GEO. G. MERRICK,
Nyssa, Oreg.

QUESTION NO. 5.

Should the present requirements of reserves for national banks be reduced, increased, or otherwise modified?

ANSWERS.

The present requirements of reserves for national banks should be reduced to 10 per cent lawful money on hand, 10 per cent with district reserve banks, and 5 per cent with other national banks—approved reserve agents. Properly conducted banks will have a still further amount in available cash funds. The change from the present system of reserve to any that might be adopted should be worked to very gradually, in order that there might not be enforced liquidation in order to meet new reserve requirements.

John McHugh,
President First National Bank, Sioux City, Iowa.

Present reserve is all right.

S. H. Burnham,
President First National Bank of Lincoln, Lincoln, Nebr.

I think the present requirements for reserve for national banks is about correct, and no bank should be prohibited by law from using reserves maintained to meet an emergency when the emergency arises, as the law to-day in many States, as well as under the national law, make a bank insolvent when below its legal reserve, or at least renders it subject to insolvency.

Fred B. Quincy,
President Planters' State Bank, Salina, Kans.

If a central bank or regional reserve banks are established, the present reserve requirements of national banks can be slightly reduced, the cash reserve required to be kept in the vaults should be smaller. One of the main purposes of the proposed reform is to concentrate the cash of the country instead of having it scattered in individual bank vaults.

A. L. Mills,
President First National Bank, Portland, Oreg.

I hardly think we would be justified in decreasing the reserve of banks required to be kept by law, but it does occur to me that the cash reserve that the banks are required to keep in their vaults is an unreasonable amount. For instance, we are required to keep $12\frac{1}{2}$ per cent of our total deposits in actual cash in our vaults. There never has been a time, and perhaps never will come a time, when 8 per cent would not be a sufficient amount.

D. N. Fink,
President Commercial National Bank, Muskogee, Okla.

Much would depend upon the general character and requirements of the new law. With proper provision for prompt and automatic supply of reserve notes, based upon gold or for credit with central or regional reserve bank secured in like manner, a home reserve of, say, $7\frac{1}{2}$ per cent of net demand deposits should be ample when supplemented with a like credit reserve with central or regional bank.

Wm. Ingle,
Vice President Merchants-Mechanics National Bank,
Baltimore, Md.

The reserves of national banks are reasonably ample now, except that small portions from each bank should be mobilized into some central reservoir, that can be used in any section when trouble may threaten, through rediscounting for cash, to the end that cash suspension by solvent banks may be avoided and confidence generally be not shaken. To accomplish such mobililzation, 5 per cent of the deposits in the three central reserve cities, $2\frac{1}{2}$ per cent in the other reserve cities, and 1 per cent from the country banks' deposits should be deposited with a reserve association to mobilize a fund for rediscounts in trouble. This costs nothing to any bank nor limits their powers, as these deposits should still count as reserves for depositing banks. This mobilized reserve should be held for use only at high interest rates to prevent trouble. To loan it in normal times is to defeat the very object sought, to wit, it empties the reservoir when no fire exists. This method will bring flexibility out of present unused reserves. To ask for a deposit of 5 per cent of country bank deposits and 10 per cent of capital is so extremely burdensome it would drive them from the system and wreck it.

Andrew J. Frame,
President Waukesha National Bank, Waukesha, Wis.

Regarding the question as to the advisability of a change on reserve requirements, I would say that in times of normal business the per centage of reserve for national banks of central reserve cities, reserve cities, and those spoken of as country banks are about correct, but are totally inadequate in times of financial pressure, which so often occur under the existing monetary system.

Robert D. Kent,
President Merchants Bank of Passaic, Passaic, N. J.

Reserves should be reduced, under a better system, to a maximum of 15 per cent.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

Reserve requirements should be modified, the modification consisting of such centralization of gold coin as will permit the national banks to perform their functions with less coin in their vaults. Any excess is economic waste.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

Left as it is. The amount is reasonable, and experience has shown it to be none too much with our present currency system. With an elastic currency it might safely be slightly reduced.

J. H. STEWART,
Wichita, Kans.

The requirements should be changed radically and the reserve made secure beyond question in such a manner as to forever prevent reserve agents from refusing to pay reserves in actual money.

EUGENE MARSHALL,
Manchester, Tenn.

The reserves should be increased.

KARL F. M. SANDBERG,
Chicago.

The provisions of the national-bank act in regard to reserves of lawful money are wise, and have been found to work well, and are the result of long experience.

The whole mystery of banking lies in the preservation of adequate cash reserves. They are the foundations of the credit system. The safety of our monetary affairs depends on the maintenance of ample reserves. On this question the Government must stand firm in resisting the pressure from the banks to diminish the reserves.

Every monetary panic since the formation of the Bank of England in 1689 has been caused by depleted reserves.

The history of banking for over two centuries shows a constant struggle on the part of banks to work their facilities up to the extremest point allowed by law, often the danger point, so as to make their business as profitable to themselves as possible, and on the part of the Government a counter struggle to restrict their operations within safe bounds.

Not to go back to a remote period, it is only necessary to refer to the trust company panic of 1907, caused, in large measure, by the inadequate reserves against demand deposits, carried by New York trust companies. The law governing reserves can not be violated with impunity. It is not so much a banking law as it is a law

of probabilities and chances. The law works with increasing accuracy in proportion to the number of small accounts; but bank balances are made up of large and small. One hundred per cent of average-sized obligations can not be successfully protected through thick and thin by 5 per cent or 15 per cent of cash reserves. Bagehot called 17 per cent of cash against 100 per cent of obligations the "apprehension minimum."

A sober judgment can not but look with apprehension at the present condition of the New York clearing-house banks, who within two years have reduced their 25 per cent reserves established by the national-bank act, by admitting trust companies with only 15 per cent reserves.

It would be a proper subject for investigation to ascertain by inquiry how much the reserves of the New York clearing-house banks have been reduced below the 25 per cent limit by the admission of the trust companies with 15 per cent reserves. It may be the New York banks are preparing for another collapse, when they will be forced for their own protection to shut down on the rest of the country as they have done before. The 10 per cent reserve deposited with other banks by the trust companies is a banking fallacy, for it is not a reserve of lawful money. Ex-Chancellor of the Exchequer, George J. Goschen, said, in his memorable speech after the Baring failure, that—

cash on call is no reserve in the general sense, so far as the community is concerned, because it means when you call in your money on call that you are unbalancing another person while you may be relieving yourself.

The New York banks have nullified the requirement as to reserves contained in the national-bank act, and the national banks in that clearing house are parties to the proceeding. The largest clearing house in the country has thus deliberately diminished its ability to protect the business of the Nation, and has frustrated the intention of Congress to make New York a 25 per cent reserve center. The "douceur," which appears to have influenced this action, was the 10 per cent of deposits with the other clearing-house banks. In Chicago, St. Louis, and other cities the same process has gone on, and the weakness thereby brought into our banking situation is not known to the public and will not be until there is a rude awakening.

It is difficult for an outsider to calculate the present reserve of lawful money carried by the banks of New York, but it has been estimated to be about 17 per cent of their demand liabilities, which all experience shows is very near, if not over, the danger line.

Congress is the only power to protect the business interests of the country from the danger of monetary disturbances caused by the errors of the banks. The decision in the Minnesota rate cases, rendered by the Supreme Court of the United States June 9, 1913, is applicable here. Justice Hughes said:

The State may provide local improvements, create and regulate local facilities, and adopt protective measures of a reasonable character in the interest of the health, safety, morals, and welfare of its people. * * * Where matters falling within the State powers, as above described, are also * * * within the reach of the Federal power, Congress must be the judge of the necessity of Federal action. * * * The paramount authority of Congress enables it to intervene at its discretion for the complete and effective government of that which has been committed to its care, and for this purpose, and to this extent,

in response to a conviction of national need, to displace local laws by substituting laws of its own.

No more conspicuous instance of the necessity of Federal intervention and control exists than is furnished by the lax laws of the States in reference to the maintenance of adequate reserves of lawful money. The monetary stability of the country depends on conservative action by Congress to control bank reserves.

As at present organized clearing houses can go on depleting bank reserves below the danger point. The threatening increase of State banks carrying small reserves in Chicago should give Congress cause for reflection, where there are 12 national banks as against 65 State institutions of all sorts. It would require an examination by an expert to ascertain the percentage of lawful money against deposits held by the trust companies of New York City. A rough calculation, based on the figures for March 7, 1913, given by the Commercial and Financial Chronicle, on page 20 of their bank and quotation section for June, 1913, indicates that the lawful money reserve on that day was $13.80 to protect each $100 of deposits.

As practically all the banks of the country are connected with clearing houses Congress can take a decided step in the direction of controlling bank reserves by requiring all clearing houses to be incorporated under a Federal law, whose members shall be required to maintain the same reserves as are fixed in the national-bank act for the various classes of banks. There is no class of institutions which can bear this burden more easily than trust companies. In New York the average value of their $100 shares is over $450. The tendency of banking practice has been to rely more and more on the 25 per cent reserves of national banks. The condition of banking has become top-heavy, and conservative action by Congress in reference to reserves is the banking legislation most urgently needed at the present time.

The law of reserves is not partial in its application. Insufficient reserves should not prevail in any part of the country. All institutions holding demand deposits should be classified as they are in the national-bank act and the law of reserves should apply equally to all. Like the law against the overcrowding of steamboats, there should be no exceptions wherever a steamboat floats. On the 19th of March, 1912, Gov. Dix signed a bill reducing the amount of lawful money reserve to be held by New York State banks in small localities from 50 per cent of 10 per cent to 30 per cent of 10 per cent. The law of New York governing trust company reserves allows trust companies to count in their reserves national-bank notes on a par with gold and silver. This is a measure of inflation and is contrary to the national-bank act, which excludes them from reserves.

Reference is made to discussion of reserves in my two books—A Graded Banking System and Federal Clearing Houses—as follows: In A Graded Banking System, see pages 10, 17, 26, 34, 38, 39, 40, 41, 43, 45, 46, 50, 51, 52, 53, 54, 55, 56, 58, 154; Federal Clearing Houses, see pages 9, 12, 53, 63, 67, 73, 75, 108, 110, 114, 118, 132, 135, 136, 137, 141, 147, 145, 165, 190, 186, 208, 276, 279.

Copies of these books accompany these answers.

The penalty at present imposed by the national-bank act for impaired reserves is too severe, and produces alarm among bank direc-

tors and leads to precipitate action when money is active, in calling loans and refusing rediscounts. This provision should be mollified. The law now says that banks shall not make new loans or pay dividends until the reserve is restored, and on 30 days' notice the comptroller may appoint a receiver to wind up the bank. This penalty is so harsh that it is a dead letter. A more effective, because milder, penalty would be to impose a tax on deficiencies. I made an argument to this effect before the New York Assembly committee on banks March 1, 1904. The provision might read to the following effect:

If the lawful money reserve of any bank, State or national, shall be less than the amount required by sections 94 to 105, inclusive, of chapter 5, of the national-bank act, as amended, or in any other part thereof, such bank shall be liable to pay, and shall pay, into the treasury of the clearing-house association of which it is a member, to be applied to its current expenses, a tax in amount equal to 6 per cent per annum on the aggregate amount of such deficiency or deficiencies in the reserve below the legal requirement for such bank or trust company, and said tax shall be paid annually on or before the 1st day of February in each year for the deficiency or deficiencies during the year ending the preceding 31st day of December.

It has been noticed that some banks have the habit of infringing on their reserves, relying on the fact that the conservative banks carry a surplus above the legal limit. Goschen discusses this subject in his speech before referred to, and says:

You have this remarkable fact, that the soundest and strongest banks may be making the smallest dividends, whilst the more imprudent banks who invest their depositors' money, leaving a small reserve, are able to show much larger dividends to their shareholders.

It is to correct this condition that the above method of taxing deficiencies is proposed.

Mr. Goschen's speech will be found on pages 124 to 148 of my book, Federal Clearing Houses.

THEODORE GILMAN,
New York.

Present requirements of reserves for national banks should be reduced or left to the good judgment of the men in charge of the bank. You can not do this, however, until you provide a head to the banks of the country, giving it power and authority to care for the individual units, as need arises. In September, 1911, the combined banks of this country held in cash $1,545,000,000. Of this amount $1,428,000,000 was tied up by law as legal reserves, this being nearly one-half of the money in the United States, and under this head please note our bank deposits are increasing very rapidly from year to year. If we have an increase of $1,000,000,000 in bank deposits we must, under our present laws, increase the amount which is tied up as legal reserve in a corresponding manner—that is, increase the percentage of the money of the country which is locked up and not available in any sense for the use of the business of the country.

J. R. GREENLEES,
Lawrence, Kans.

Will ask for the report of the Comptroller of Currency and compare it with other countries' statistics and answer then.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

Reserves are an invention of the bank to retire money from use. Money out of use, in actual daily circulation, no longer performs the debt-paying function for which money was created, thereby causing a demand for bank-credit currency for which the bank fails not to collect its toll of interest in advance.

GEO. G. MERRICK,
Nyssa, Oreg.

QUESTION NO. 6.

Should an elastic currency be authorized by law? If so, should it be limited, and to what amount?

ANSWERS.

Yes; banks should be permitted to issue their own currency in amount, say, equal to 25 per cent of their capital, such to be protected by reserve the same as required for deposits. The currency thus issued will be a first lien on the assets of the issuing bank and be subject to an interest charge graduated so that it would come out in proper volume when needed and retire when not. In case of great need, or unusual stress, it should be possible for banks to go to a district reserve bank, or some such agency, with good commercial paper, receive credit or currency, or both, to the amount of 75 per cent of the face of such paper when approved by the governing board of the district reserve bank, or such competent authority as may be determined upon. The currency in such case to be that of the district reserve bank. It should be arranged so that it could go current in any of the several districts of the country and should be redeemable at any reserve bank.

JOHN McHUGH,
President First National Bank, Sioux City, Iowa.

An elastic currency should be authorized by law. As to the amount, I am not prepared to say.

S. H. BURNHAM,
President First National Bank of Lincoln.

I think a more elastic currency should be authorized by law. It should undoubtedly be limited in some way, but I do not feel capable of indicating just how or to what extent.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

An elastic currency should be authorized by law and the amount to be issued should be limited to a percentage of the paid-up banking capital of the country, say 50 per cent.

A. L. MILLS,
President First National Bank, Portland, Oreg.

An elastic currency should be one of the chief ends to be attained in a new law. No limit in dollars should be fixed. Should a reasonable limit be named, trouble would quickly follow the knowledge that such limit was being approached. An unreasonable limit would invite inflation except in the presence of a tax which would make useless the law as a practical proposition. It would probably be wiser in setting no limit to adopt a sliding-scale tax, its maximum to follow its minimum not too quickly, but at the approach of its maximum to be so severe as to compel liquidation.

WM. INGLE,
Vice President Merchants-Mechanics National Bank,
Baltimore, Md.

A secondary uniform elastic currency should be authorized. To issue it without a tax on it would be like our present national-bank notes. They expand, but do not contract. Quick redemption of a currency not subject to distrust, or a heavy tax to drive it home, also expands for the profit in such issues and does not contract. A currency not subject to a heavy tax to make the issues unprofitable is not elastic. An upgrade tax will automatically limit issues.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

Most certainly such a currency should be authorized. I do not think it should be limited in amount by law, but its issue on large amounts and for lengthy periods should be provided against by increasing the rate of charge or tax with the increasing amount and with the length of time outstanding.

ROBERT D. KENT,
President Merchants' Bank of Passaic, Passaic, N. J.

Yes; to be issued to the Regional Association in amount equal to its capital and surplus; and in times of emergency additional currency to be issued on good commercial paper, limited in amount to 80 per cent of the face of the security, and bearing interest at 3 per cent per annum for three months, and 1 per cent per month additional thereafter until redeemed.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

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(1) Yes.

(2) It should not be limited by law. The limit must depend upon (*a*) the commercial requirements of the country; (*b*) the gold reserves.

(3) The limit from time to time must be left to the trained and experienced men who should have control of this most important question.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

Yes; an elastic currency should be authorized by law, and should be limited first, by the judgment of the managers; and second, to not over double the capital and surplus of the banks in the association. To prevent its misuse the issue should be made expensive.

J. H. Stewart,
Wichita, Kans.

An elastic currency should be authorized under a law which would discourage the inflationist and enable the conservative banker to obstruct at least any progress in the direction of inflation.

No specific limit should be set to the amount of currency to be issued, as it is believed that the method of issue and redemption hereafter described would automatically regulate the amount to the demands of business.

Eugene Marshall,
Manchester, Tenn.

An elastic currency—the very best, in fact the only kind—is authorized by our Constitution now; and it is unlimited.

Congress has power to issue currency; also power to institute public works to be paid for with such currency.

Karl F. M. Sandberg,
Chicago.

An elastic credit currency is an indispensable adjunct to the credit system.

At no time should the total amount of such notes issued to any bank member of a clearing house of issue exceed the amount at such time actually paid in of the capital stock of the bank member so applying.

I have advocated the incorporation of clearing houses under a Federal law since September, 1893, for the purpose of issuing a clearing-house currency.

My reasons for not favoring regional reserve banks will be stated in subsequent answers.

I append a copy of my bill as introduced by the late Senator Thomas C. Platt December 4, 1907, in the first session of the Sixtieth Congress.

Theodore Gilman,
New York.

Most assuredly an elastic currency should be authorized by law, but it should be a sound currency as well.

J. R. Greenlees,
Lawrence, Kans.

Yes; yes and the amount for the first six months might be fixed between three hundred and five hundred millions. And the foregoing figures might be extravagant, but no amount can be stated for the reason that under present laws fictitious values can be temporarily created by stock exchanges, etc.

Under President Roosevelt, Secretary Cortelyou proposed to issue two hundred or three hundred million in Treasury notes and one hundred millions Panama Canal bonds, and only the advertising of this step was necessary to end the panic.

The law of supply and demand ruling every community on earth is set at naught in the currency question by the manipulation of fictitious prices on exchanges. As it is at present it is apparent that the banking element in economical questions is more powerful than the Government.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

Yes, certainly; an elastic currency should be authorized. All currency should be issued by the National Government, first to the States; second, to the counties; third, to the townships; fourth, to the cities—all units of our established government who have the power to levy taxes. This should be done under safe restrictions, up to a certain percentage of their assessed valuation, for public improvements. For example, the National Government should issue to the State of Wisconsin upon its bonds a sufficient amount of currency to, first, harness its enormous water power contained in its rivers; second, for the purpose of reforesting its lands—such as are not fit for cultivation; third, for the building of State highways and other improvements which add to the value of its wealth.

Money should also be issued to counties upon county bonds for the purpose of public improvements, such as building courthouses, jails, insane asylums, good roads, etc.

To cities upon their bonds for the building of electric light and water systems, of public schools, and other public improvements.

All this can easily be done under safe restrictions, and such privilege of having currency issued should be based upon a guaranty that every city, county, or State shall guarantee to the National Government that it will keep all its citizens who are willing to work employed at useful labor at all times. The National Government may also issue its own currency for the purpose of improving and making navigable its streams, building railroads or other useful improvements, mining gold, silver, etc. How would a panic look if you fellows in Congress would dare to legislate in the interest of the wealth producer instead of the idle wealth consumer in the way above indicated?

CARL PIEPER,
Menomonie, Wis.

The "elastic-currency" idea is based upon a false assumption—the erroneous assumption that the volume of currency required is one that will respond only to the demand for currency as a medium of exchange. Those who entertain this idea are seemingly unconscious of the fact that the first and probably the most important use to which currency is put is to conserve the earnings of the individual in an available and nonperishable form, and that it is ever performing this office while performing its minor functions. With this truth

in mind, it is not difficult to perceive that there will be a legitimate use for all representative money that will be called into existence by an automatic and scientific system of currency issue.

JAMES D. HOLDEN,
Denver, Colo.

An elastic currency—whatever may be meant by the term—is a banker's dream, and under the specious plea of benefit to business the only business to be benefited would be the stock gamblers and loan sharks.

GEO. G. MERRICK,
Nyssa, Oreg.

QUESTION NO. 7.

Should such currency be the notes of the individual banks or of a central reserve association or of a number of regional reserve associations or of the United States Treasury?

ANSWERS.

Banks should be permitted to issue their own currency in amount, say, equal to 25 per cent of their capital, such to be protected by reserve, the same as required for deposits. The currency thus issued will be a first lien on the assets of the issuing bank and be subject to an interest charge graduated so that it would come out in proper volume when needed and retire when not. In case of great need or unusual stress it should be possible for banks to go to a district reserve bank or some such agency with good commercial paper, receive credit or currency, or both, to the amount of 75 per cent of the face of such paper when approved by the governing board of the district reserve bank or such competent authority as may be determined upon, the currency in such case to be that of the district reserve bank. It should be arranged so that it could go current in any of the several districts of the country and should be redeemable at any reserve bank.

John McHugh,
President First National Bank, Sioux City, Iowa.

Such elastic currency should be issued by a central reserve association.

S. H. Burnham,
President First National Bank of Lincoln, Lincoln, Nebr.

I think the currency should be notes issued by a central association or associations with ample capital and surplus to make them absolutely good beyond the question of a doubt and to such an extent that the United States Government could in some way stand behind the currency. I do not believe that any currency will circulate freely in the United States that the United States is not obligated in some way to its ultimate redemption, and it would be better to have no currency than to have a currency of doubtful value.

Fred H. Quincy,
President Planters' State Bank, Salina, Kans.

Such currency preferably should be the notes of a central reserve association; next, of a number of regional reserve associations; next, notes of individual banks. In no event should they be notes of the United States Treasury. The Government should not be in the banking business, as the finances of the country should not be imperiled by party politics.

A. L. Mills,
President First National Bank, Portland, Oreg.

Currency should be issued only upon the initiative of a bank needing it and upon its requisition for notes made upon a central reserve association or regional banks accomplishing the same purpose. Currency should not be issued by the Treasury nor should the Government have any control over the issuance, excepting only to see that the law was observed.

The name of the issuing bank need not be in evidence on its note, as it would be wise to have such notes uniform in general appearance, but all bearing some mark or symbol identifying them with the issuing bank.

Wm. Ingle,
Vice President Merchants-Mechanics National Bank,
Baltimore, Md.

Individual bank issues should be gradually retired, as too rapid retirement always disturbs economic equilibrium. Prefer, first, a central reserve association—say in New York City, Chicago, and San Francisco; second, if the mobilized reserves were deposited in the clearing houses of these three cities, relief could be had in all sections when trouble threatens. As clearing-house memberships are nonpolitical, they would be governed solely in the interest of business; third, utilize United States subtreasuries in these cities. Through our present central reserve banks either of these suggestions would serve amply all sections.

Andrew J. Frame,
President Waukesha National Bank, Waukesha, Wis.

A portion of the total needed currency should be issued by the individual banks. This amount should be secured by a deposit of bonds or other acceptable securities. This portion need not be elastic, but beyond such portion additional circulation possessing elasticity should be issued to the bank, preferably by a central reserve association or a bank of the United States. Issue by regional reserve associations or the United States Treasury would, however, be a great advance upon our present plan.

Robert D. Kent,
President Merchants Bank of Passaic, Passaic, N. J.

It should be notes of a central reserve association.

J. R. Mulvane,
President Bank of Topeka, Topeka, Kans.

(1) It is not advisable to allow individual banks to issue currency.

(2) It can best be done through a central reserve association. If deemed advisable it may be accomplished by means of regional associations, provided there is a strong central governing board, competent through experience, to handle the matter.

(3) Currency should not be issued by the United States Treasury, for the reason that there is no corresponding asset in the Treasury to the liability so created, and when issued Treasury notes are unsecured promises to pay and a constant expense to the Government and a source of danger whenever a general financial disturbance is imminent.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

I think I am in favor of a number of regional reserve associations for the issuing of the currency.

J. H. STEWART,
Wichita, Kans.

National currency should be issued only by the National Treasury and should be guaranteed by the credit of the Nation.

It should be issued only in exchange for 2 per cent Government bonds or a monetary equivalent for the same.

All bonds received in exchange for currency should be canceled.

Interest accrued on bonds canceled should be paid to the party surrendering the same.

The national currency should be given adequate legal-tender qualities, and all notes now in circulation except coin certificates should be retired.

EUGENE MARSHALL,
Manchester, Tenn.

Currency should be issued by the United States Treasury only, and solely for the use of the Government, not by or for any banks, associations, or others.

KARL F. M. SANDBERG,
Chicago.

The banking laws of the United States are free to all who desire to engage in the business of banking. Under this permission or privilege tens of thousands of banks have been organized, each one like every other. The issue of currency is a sovereign power and can not with safety to the public be delegated to banks generally, especially to thousands of such, large and small, except under the most careful safeguards. Out of the panic of 1837 and previous experiences arose the dictum that the only safe way for the issue of currency by many banks organized under a general law was that security should be lodged with a trustees by each issuing bank to guar-

antee the payment of its notes. Under that rule a bank with a small capital can issue money of equal credit with that of banks having millions of capital. This rule destroys monopoly in banking and places all banks, large and small, on an equality. Consequently under this system currency can not be issued by individual banks, however large their capital may be. It might be said that this is an injustice to large banks and deprives them of the advantage and benefit of their large capital. But the country has debated this question and has decided beyond appeal that all banks, large and small, must have the same rights and privileges.

If anyone advocates the issue of currency by the United States Treasury he should work his plan out so that it may be understood. On the face of it, it would open the door to untold scandals if that course were pursued. It is needless to cumber the discussion with arguments against a half-baked theory.

The question of a United States bank, or of a central reserve association, has also been debated in this country, and the people have decided against the central-bank idea in any form. The political parties in the recent campaign have echoed the same decision, and there is no use in trying to open the case again.

Consequently currency can not be issued by a United States bank or by individual banks, or by a central reserve association.

The proposition that the currency be issued by a number of regional reserve associations is directly mentioned or hinted at in over 20 of the 32 questions submitted for answer, and consequently should be carefully considered and compared with other measures, both past and present, with the same object.

The regional reserve bank plan is evidently a successor to the First and Second United States Banks, and partakes of the characteristics of the central reserve association recommended by the National Monetary Commission in their report to Congress in January, 1912. Like these plans, it is doomed to the jakes when its provisions are fully understood by the public.

The description of the proposed regional reserve banks as contained in the New York papers of June 16, 1913, may be accepted as approximately accurate.

In a broad way, the regional reserve bank proposes to combine three functions: First, the holding of the reserves on general deposits of its members; second, the issue of currency to its members; and third, the transaction of a more or less general banking business.

The inquiry as to its first object is whether this new method of holding reserves is as safe as the present. Reserves are now held by many banks in the reserve cities. It is proposed to call them in and place them in one bank. If this one regional bank got into trouble, the reserves of a whole district would be locked up. The reserves of a whole district are never now all in one bank. There is therefore a danger in the new plan which does not exist in the old. It should be considered whether the country is ready to enter on an untried scheme. Are not the interests of the country too vitally important to be risked on an uncertainty?

Then, from the nature of the case, the two functions of holding reserves and issuing currency are so different that they can not be successfully united. Reserves on deposits should be held in a com-

paratively small number of cities and distributed among a number of banks in each city. The cities designated should be those where business is so diversified that the reserves can be used temporarily and can be called in without occasioning disturbance.

On the other hand, the issue and distribution of currency should be made from many points, so that as large a territory as possible may receive the benefits of the issues. The currency would be safer and more beneficent if issued from 55 cities than from 20, because the smaller the territory the more intimate the knowledge of credits and responsibilities on the part of the bank making the loans. The holding of reserves, on the contrary, would be safer if deposited in 20 cities than in 55 and divided up among many banks in the 20 cities. (See p. 259 of Federal Clearing Houses.)

So no doubt the prevalent idea in the country will be in favor of separating the two functions because they can be better attended to apart. The present method of holding reserves should be continued unchanged and the arrangements for the issue of currency be taken up as a separate matter.

THEODORE GILMAN,
New York.

If our banks are welded into a real system and the power given to this central organization above suggested, that organization should be the sole bank of issue in the United States. The right to issue currency should not be given to any regional reserve association, because the currency of the country is a thing that can not be parceled out to different localities without weakening the strength of the entire country; neither should this currency be issued by the United States Treasury, because while the note of the Government issued by the Treasury is absolutely good, the United States Treasury is not, never has been, and probably never can be a bank or have the powers of a bank. Witness the time under President Cleveland when we were forced to sell $200,000,000 of bonds to replenish the gold reserve, because the Treasury of the United States is a place of final redemption and is not a bank, nor can it exercise the powers of a bank.

J. R. GREENLEES,
Lawrence, Kans.

Part 1. Yes.
Part 2. No.
Part 3. No.
Printed and regulated, etc., by the Government.
Part 4. In case of war, etc., and also in case of extraordinary events, yes.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

Nothing but United States Treasury notes, backed by all the wealth of the Nation, including gold, silver, copper, iron, meat, cotton, corn, tobacco, whisky, beer, and everything else which is taxable. The items of whisky and beer may look foolish, but you all know that they are good revenue producers.

Carl Piepfr,
Menomonie, Wis.

Neither "notes" nor "bills of credit" or other form of credit currency should be emitted by the Government. All future issues should be absolute paper money—a full legal tender—issued as representative currency against the imperishable wealth of the individual offering it for monetization. Such a currency system will protect the collectivity, provide a sufficient supply, and prevent an overissue. All issues should be direct from the Government to the money user. Every issue should be against the imperishable wealth of the applicant, upon which the Government should take a primary lien to secure payment of the nominal annual tax required to make the system self-sustaining.

James D. Holden,
Denver, Colo.

QUESTION NO. 8.

Should these notes be procured from the Treasury on pledge of security and if so, of what should this security consist? Should these notes be a first lien of the Government upon the assets of the association or bank to which they are issued?

ANSWERS.

Banks should be permitted to issue their own currency in amount, say, equal to 25 per cent of their capital, such to be protected by reserve the same as required for deposits. The currency thus issued will be a first lien on the assets of the issuing bank and be subject to an interest charge graduated so that it would come out in proper volume when needed and retire when not. In case of great need or unusual stress it should be possible for banks to go to a district-reserve bank or some such agency with good commercial paper, receive credit or currency, or both, to the amount of 75 per cent of the face of such paper when approved by the governing board of the district-reserve bank, or such competent authority as may be determined upon; the currency in such case to be that of the district-reserve bank. It should be arranged so that it could go current in any of the several districts of the country, and should be redeemable at any reserve bank.

John McHugh,
President First National Bank, Sioux City, Iowa.

These notes should be procured from the central organization secured by bonds or commercial paper, and should be a first lien upon the assets of the association or bank to which they are issued.

S. H. Burnham,
President First National Bank of Lincoln, Lincoln, Nebr.

I think these notes should be issued by the association or associations upon the approval by the Government and should be a first lien upon all the assets of the association issuing the same, but not of the individual banks whose assets should at all times be for the protection of all the creditors of the bank equally.

Fred H. Quincy,
President Planters' State Bank, Salina, Kans.

If these notes are issued by a central-reserve association or regional-reserve associations there should be maintained against them a gold reserve of at least 25 per cent. If the notes are to be issued by national banks, as at present, there should be a wider latitude given in the kinds of collateral security pledged; in other words, besides Government bonds there should be permitted a pledge of bills receivable. If bills receivable are pledged the notes should also be a first lien upon the assets of the bank.

A. L. MILLS,
President First National Bank, Portland, Oreg.

It would be most unwise to associate the Treasury in any manner with the issuance of currency, excepting as printer and registrar to secure safety and uniformity and as supervisor to see that the law is properly followed.

The notes could properly be a first lien upon the assets of the issuing bank.

WM. INGH,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

They should be so amply secured, barring stocks of all kinds, that no first lien is necessary.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

If the elastic currency should be procured from the Treasury it should be received on a pledge of security. This security should consist largely of two-name commercial paper. It might also include State, county, and municipal bonds of certain prescribed standards and possibly of a certain portion of high-grade railroad bonds. If the latter are included, it should be on some plan that would not create an artificial market for such securities. All notes so procured from the Treasury to be guaranteed by regional associations of banks with an aggregate capital of not less than $5,000,000. With security and the guaranty specified it will not be necessary to make the notes a first lien upon the assets of the bank. I would, however, advocate the setting aside of a portion of the tax or charge on the notes to establish a guaranty fund. This fund to be gradually increased until it reached a substantial sum equal to 5 or 7½ per cent of the estimated maximum amount of such currency likely to be outstanding at one time.

ROBERT D. KENT,
President Merchants' Bank of Passaic, Passaic, N. J.

If these notes should be procured from the United States Treasury, the security should consist of gold, marketable bonds, at 90 cents, and

commercial paper, at 85 cents, and they should be a first lien on the regional association and on the bank to which they are issued.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

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(1) Circulating notes might well be provided as now by the Comptroller of the Currency, should this office be maintained. They should not be issued against a direct pledge of collateral, but against the general assets of the reserve association, under whatever form it may be organized.

(2) They should be a first lien to the holder on the assets of the association.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

From the Treasury on pledge of high-grade bonds and commercial paper, and as the notes would be money the Government should have the prior lien.

J. H. STEWART,
Wichita, Kans.

The first part of this question appears to be fully answered by the answer to question 7.

Currency should be redeemed by the United States Treasury at the option of the holder by the issue of bonds bearing interest at 2 per cent from date of issue.

This would make the currency and the 2 per cent bond interchangeable at all times.

It would relieve the Treasury of the payment of interest on all that part of the national debt represented by outstanding currency.

It would furnish the common people with an interest-bearing security always available in currency.

This last is something which no banking law has yet accomplished.

EUGENE MARSHALL,
Manchester, Tenn.

No. No notes should be "procured" on "pledge of security." No currency should be issued or paid out for anything but work or supplies for the Government.

KARL F. M. SANDBERG,
Chicago.

The Government should supervise banking as it supervises all other trades, railroading, importing, mining, manufacturing, etc. Banking should be considered a trade, and no exception should be made in the character of the laws controlling it. The Government should be over the banking business not in it. It is not the province of the Government to engage in the banking business.

The Government can properly deal with clearing houses to the extent of printing notes for them, responding to requisitions for notes to be issued as currency, fixing the character of the security clearing houses may accept as collateral for them, just as it fixes the character of the securities in which national banks may invest their deposits, and supervising the business done by clearing houses to see that the restrictions of the law have been complied with, but the Government should not enter into the details of the banking business any more than it now enters into the business of national banks. The methods now in existence, established by law, should be carried on and up into the supervision which the Government should make over the institutions of the next higher grade above the national banks. There is no call for any change in the theory adopted when the national system was framed.

The securities for currency should consist of the securities which the national bank act provides for the investment of the funds of national banks. What else can the banks have to pledge with clearing houses as a basis for currency loans?

The Government should not have a first lien on the assets of banks for their currency loans. Those loans should be protected by the assets pledged and any shortage should be made up by the banks associated in the clearing house making the loans. This is the method followed by the banks associated in clearing houses and is ample protection to the public.

THEODORE GILMAN,
New York.

These notes should not be procured from the Treasury on the pledge of security, but should be issued by the central organization against its holdings of coin, and possibly in case of emergency against its holdings of commercial paper discounted for the banks of the United States.

J. R. GREENLEES,
Lawrence, Kans.

Yes; as to Treasury.
No; as to association.
Yes; as to banks.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 9.

Should all currency be based upon gold? If so, how should it be issued, and what per cent of gold reserves should be required?

ANSWERS.

Banks should be permitted to issue their own currency in amount, say, equal to 25 per cent of their capital, such to be protected by reserve the same as required for deposits. The currency thus issued will be a first lien on the assets of the issuing bank and be subject to an interest charge graduated so that it would come out in proper volume when needed and retire when not. In case of great need or unusual stress it should be possible for banks to go to a district reserve bank or some such agency with good commercial paper, receive credit or currency, or both, to the amount of 75 per cent of the face of such paper when approved by the governing board of the district reserve bank or such competent authority as may be determined upon. The currency in such case to be that of the district reserve bank. It should be arranged so that it could go current in any of the several districts of the country and should be redeemable at any reserve bank.

John McHugh,
President First National Bank, Sioux City, Iowa.

Yes; all currency should be based upon gold, with 50 per cent of gold reserve.

S. H. Burnham,
President First National Bank of Lincoln, Lincoln, Nebr.

I think all currency should be based upon a reasonable gold reserve and that the gold standard of the country should under no circumstances be changed, but that all currency should be as good as gold and redeemable in gold eventually. As to just what per cent of gold reserve should be required I am unable to state.

Fred H. Quincy,
President Planters' State Bank, Salina, Kans.

Granted that the present bond-secured currency of the national-bank system is to be abolished and currency to be issued only by a central reserve or regional reserve associations, then such currency should be based upon gold alone. Such gold reserve should be at

least 25 per cent of the amount of notes outstanding, and whenever the gold reserve falls below 25 per cent stringent restrictions should be framed to prevent a further issue. However, under great emergencies an overissue might be granted by and with the consent of the President of the United States, Secretary of the Treasury, and comptroller.

A. L. Mills,
President First National Bank, Portland, Oreg.

All currency should be based upon gold held by the issuing central source of reply. In this country probably a gold reserve of 60 per cent should be held to be normal, a graduated tax to follow each diminution of, say, 5 per cent.

Wm. Ingle,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

Any mobilized reserve contributed by banks generally should be gold or equivalent. For extraordinary issues little if any reserves are necessary, as they are but temporary measures.

Andrew J. Frame,
President Waukesha National Bank, Waukesha, Wis.

No; not gold alone, but gold, commercial paper, and good bonds.

J. R. Mulvane,
President Bank of Topeka, Topeka, Kans.

Currency (not referring to gold certificates, warehouse receipts in fact for gold coin) should be based upon gold; that is, the institution issuing them should have a substantial reserve of gold coin. Here again the percentage of reserve should not be fixed by law, but should be left to the judgment and discretion of the governing board. It must necessarily vary under different conditions from time to time.

James K. Lynch,
Vice President First National Bank of San Francisco.

It should all be as good as gold, but not necessarily based on gold.

J. H. Stewart,
Wichita, Kans.

The only gold currency retained in circulation should be gold certificates of deposit.

Silver certificates of small denominations (less than $5) should remain as the only means of utilizing our hoard of silver.

Eugene Marshall,
Manchester, Tenn.

No; currency should not be based upon gold, only upon work or supplies for the Government. Gold is playing a smaller and smaller part in our monetary system.

KARL F. M. SANDBERG,
Chicago, Ill.

All currency should be based on gold values at 75 per cent of the appraised value of the property pledged. All values in this country are on a gold basis. The appraisement would be by bank directors forming a committee for the purpose, whose banks would be guarantors and interested in any loss on the collateral security. Consequently losses do not occur on clearing-house loans.

As the property pledged is held by the clearing house as trustee for the note holder, the only gold reserve required is 5 per cent, which is the same as now provided for national-bank notes.

THEODORE GILMAN,
New York, N. Y.

Currency of the country should be based upon gold, that being the accepted money of the civilized world. This head to the banks of the United States should carry the gold of the country both for the Government and the other banks. Against this gold it should have the right to issue its notes, which should be in every case redeemable in gold. The present stock of gold and other metal now in the vaults of the United States Treasury should be deposited in the vaults of this central organization, or kept in the present vault, subject to the call of the central organization and under the control of the central organization, and this organization should be the sole bank of issue in the United States. National-bank notes, gold and silver certificates should be retired as rapidly as consistent, without disturbing business, and replaced by the notes of the central organization.

J. R. GREENLEES,
Lawrence, Kans.

Yes; everybody well informed knows that there is not gold enough on earth to meet all the outstanding currency or notes payable in gold if demand for such payment were made at the same time; the reserve of gold ought to be approximately 10 per cent.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

No currency should be based upon gold, as this makes the whole world speculate and gamble with our currency. All gold coined or in bullion should be held in the United States Treasury. Gold coin may be drawn from the Treasury by any citizen of the United States in exchange for legal-tender Treasury notes, providing that citizen gives security that he will pay a tax such as is levied on gold watches or other articles of luxury to the amount of 6 per cent per annum

until the gold coin so drawn shall be returned to the United States Treasury. Don't you think this would successfully protect our gold reserve?

CARL PIEPER,
Menomonie, Wis.

A nation's full legal-tender currency need not have a gold basis if it have a property basis—not a property "basis" for the purpose of giving value to the currency, but a property basis for the purpose of restricting the supply, regulating the volume, and for making the issue conform to the natural law governing the production of wealth by labor. To elucidate:

Government money being the exchange equivalent of labor products, the general welfare demands that there be no means whereby the equivalent can be obtained by anyone with a less expenditure of effort than is necessary to acquire the product itself. Hence no discretionary power over the emission of currency or the volume thereof or the manner of its issue should be lodged in the Government official. The currency rights of the citizen should be clearly defined in the law, as are his other civil rights. Only through the issue of a representative currency can a just and practical currency system be inaugurated.

JAMES D. HOLDEN,
Denver, Colo.

Assuredly not. No currency should be permitted. No reserve to bolster a promise to pay, of which it has been said that they exceed the limitation of nature and surpass the bounties of God.

GEO. G. MERRICK,
Nyssa, Oreg.

QUESTION NO. 10.

If notes are issued to or by an association, what should be the limit in amount of this currency for each association, and should this limit be based on its capital stock or surplus?

ANSWERS.

The amount of currency or credit to be issued to any bank in a district should be limited only by lack of ability of such bank to pledge proper security and refusal to pay the interest or tax exacted. It should be possible for a bank under unusual stress to go to a district reserve bank with its good assets and realize 75 per cent of the value thereof in currency or credit, or both, so long as the board of directors of such district reserve bank approved the paper and the conditions attending the application of the bank seeking the aid entirely warranted it.

John McHugh,
President First National Bank, Sioux City, Iowa.

The issue of notes should be by a central organization.

S. H. Burnham,
President First National Bank of Lincoln, Lincoln, Nebr.

I think the notes issued by any association or associations should be limited and based on its capital stock and surplus, to which it would look for redemption.

Fred H. Quincy,
President Planters' State Bank, Salina, Kans.

If notes are to be issued by the national-bank associations as at present the limit should not exceed the capital stock of such association. In case of emergency it might be advisable to permit an additional circulation equal to 50 per cent of the surplus of the association.

A. L. Mills,
President First National Bank, Portland, Oreg.

To induce conversion of excess surplus into capital with its double liability, capital stock only should be the basis. No bank, except under punitive tax, should be permitted to assume liability of any nature in excess of a fairly generous multiple of such capital, say, 20 times its amount.

Wm. Ingle,
Vice President Merchants-Mechanics' National Bank,
Baltimore, Md.

A graded tax upward will automatically regulate flexibility.

Andrew J. Frame,
President Waukesha National Bank, Waukesha, Wis.

It should be based on the capital and surplus of the association, except in emergency, when aid should be given to each individual bank in amount not exceeding its capital stock, collateral as in No. 8.

J. R. Mulvane,
President Bank of Topeka, Topeka, Kans.

Again this is a question that should be left to the judgment and discretion of the governing board. It is impossible to fix by statute a limitation that will not be insufficient in some cases and excessive in others.

James K. Lynch,
Vice President First National Bank of San Francisco.

Double the amount of the capital and surplus of the members of the association.

J. H. Stewart,
Wichita, Kans.

No currency notes should be issued except by the United States Treasury.

All associations or combinations calculated to concentrate large reserves of money in the hands of a few banks should be positively forbidden.

Such associations are the strongest weapons of monopoly and should be crushed with a strong hand.

To all suggestions looking to the establishment or regulation of such institutions I say no.

Eugene Marshall,
Manchester, Tenn.

No notes should be issued to or by an association. Currency should be issued by the Government only and solely for the use of the Government. Issued by anybody else and for any other purpose it is counterfeit and should be treated as such.

Karl F. M. Sandberg,
Chicago.

The limit in amount of the currency any bank could take out through its clearing house should be the par of its capital. Clearing houses are representative of the banks composing them and do not have any capital of their own. Each individual bank should have a right to its proportion of currency the same as every other bank. The bank is the unit, not the clearing house.

THEODORE GILMAN,
New York.

Notes should neither be issued to or by an association, but should come from the central organization, which should be the head of the banks of the United States.

J. R. GREENLEES,
Lawrence, Kans.

From 25 to 33 per cent on its capital and surplus. Every new law is a kind of experiment. The figures given ought to be safe if the word "association" means bank.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

Questions from 10 to 31, both inclusive, are in the sole, exclusive interests of the banks; have no other objects than to enlarge and solidify the power now possessed in the control of the monetary affairs of the people, applying for the purpose of private gain the most important function of the Nation; also to create a list of salaried bank officials and employees. Manifestly all these reserve associations must incur large cost of operation, must also pay dividends, and have no source of income other than derived from loans, discounts, and exchange, all of which cost falls finally upon the productive industries of the people. The scheme is all evil, has no good in it, nor should it have a hearing before the United States Congress, supposed to legislate for the general welfare to the exclusion of private greed. No such scheme should be permitted. The United States Treasury Department is the only reserve needed or in any manner justifiable. It has the confidence of the people, can serve them efficiently, and has been and still is especially charged with the creation of and issuance of money.

The Congress of the United States is by a positive grant authorized to create money. All writers and authorities upon the Constitution agree that "an affirmative grant is a negative to all other power." Therefore the Congress has no power to create, issue, nor to authorize the creation and issuance of something that is not money. The Supreme Court in the legal-tender cases held that money was a legal decree. As to this there can be no debate between honest students of monetary science. There is no such natural thing as money; all money is a creation of law, and the material of which made does not and can not perform the money function. That function is conferred upon the material by positive law. Let the Congress resume its duty and obligation to create and issue money, dispensing with this credit monstrosity bank promises to pay.

GEO. G. MERRICK,
Nyssa, Oreg.

QUESTION NO. 11.

What device should be provided to force the retirement of this currency in whole or in part when the legitimate demands of trade subside?

ANSWER.

A graduated rate of interest, say, the current rate of discount for the first 30 or 60 days, and thereafter an increasing rate up to 10 or even 12 per cent per annum, would retire such currency very quickly after it had served its usefulness.

JOHN MCHUGH,
President First National Bank, Sioux City, Iowa.

The notes should be redeemable in gold at the Treasury and should not be counted in the legal reserve, and that will retire them the moment the demand ceases.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

I think in order to force retirement of this currency or to prevent unreasonable inflation that a reasonable amount should be permitted to be issued without any tax, and that above this point a graduated tax based on the length of time the currency is in circulation should be imposed. As to just what amount of currency should be permitted to be issued under normal conditions, I would be unable to suggest. It should be enough, however, to transact the ordinary business of the country, and above such point should be considered emergency and subject to some kind of tax to prevent inflation.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

The retirement of this currency in whole or in part should be provided for by a steadily increasing tax in the shape of a rising rate of interest.

A. L. MILLS,
President First National Bank, Portland, Oreg.

A tax on issues beyond a set limit progressively increasing in severity.

WM. INGLE,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

A tax above a normal interest rate, increasing monthly to make issues unprofitable, is certain in its action. The Imperial Bank of Germany has issued a 5 per cent taxed currency, which is subject also to a gold reserve, over 150 times in the past 30 years. This brings true flexibility. That bank's untaxed currency is limited to $130,000,000. Were it not for the 5 per cent taxed flexible currency, Germany, doubtless, in her overstrained condition would be in a state of collapse. It is the only thing that has prevented it.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

Establish a normal amount of issue proportionate to capital and surplus that a bank can always maintain as practically permanent circulation; beyond that amount make the cost of additional issue so expensive both for amount and length of time outstanding that banks will be forced to reduce the excess at an early period. Increase the rate for time outstanding in some such manner as is now provided in present emergency law. The high rate and the discredit of paying it has always caused the speedy retirement of clearing-house certificates, which have practically been an elastic emergency circulation.

ROBERT D. KENT,
President Merchants Bank of Passaic, Passaic, N. J.

An interest charge of 3 per cent per annum on the emergency currency for the first three months; thereafter an additional 1 per cent per month.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

The currency issued by the association (or associations, if must be) should not be counted as reserve, and should be canceled as soon as it comes into the possession of the association issuing it, or any branch of such association. It is in fact a promissory note; or, if you please, a demand certificate of deposit, having back of it (*a*) gold coin, (*b*) discounted short-time commercial paper.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

There should be no bank currency.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

A high tax on it, payable to the Government.

J. H. Stewart,
Wichita, Kans.

Currency should be exchangeable for 2 per cent bonds at the option of the holder.

Currency being a part of the public debt, bearing no interest, should be issued in exchange for 2 per cent bonds whenever demanded.

Current money being at all times exchangeable for 2 per cent bonds, and 2 per cent bonds being exchangeable for current funds, the changes would become automatic, depending entirely upon the demands of business.

Should the currency in circulation at any time become excessive, exchanges might be stimulated by a plan similar to that pursued by the Bank of England, which raises or lowers the rate of interest as the demands of business require.

Eugene Marshall,
Manchester, Tenn.

There should be no banking currency.

Karl F. M. Sandberg,
Chicago.

The pressure on borrowing banks to retire clearing-house certificates has always been found effective to secure the retirement of clearing-house certificates when they are no longer called for. All banks in a clearing house have a joint liability for their share in the loss on its loans and this contingent liability is the best device that can be proposed to secure contraction. There should also be power given to the Secretary of the Treasury to demand retirement of currency if in his opinion the public good requires its cancellation.

See section 26 of my bill.

Theodore Gilman,
New York.

No device would be required to regulate currency, as suggested before.

J. R. Greenlees,
Lawrence, Kans.

Taxation of the issue.

Sigmund Feust,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 12.

If a tax on this currency payable to the Government is provided, should it be graduated so as to increase with the volume of currency issued by the reserve association, or graduated so as to increase with the length of time it is outstanding?

ANSWERS.

It should be graduated not on account of volume issued, but on account of length of time outstanding.

John McHugh,
President First National Bank, Sioux City, Iowa.

If there is a tax, it should be graduated as to the time.

S. H. Burnham,
President First National Bank of Lincoln, Lincoln, Nebr.

As heretofore stated, I think the tax should be based on the length of time. Currency over and above an amount necessary to transact the ordinary business of the country should be kept in circulation, which time and amount might be supervised in some way by the Comptroller of the Currency, who should be given some discretion in the matter.

Fred H. Quincy,
President Planters' State Bank, Salina, Kans.

This tax, or rather, the interest, to be charged upon the emergency currency should increase with the length of time the notes are outstanding; for example, the bank applying for such emergency currency should pay interest at the rate of 6 per cent per annum for the first three months, and such rate should increase 1 per cent per annum for each additional month the currency is outstanding.

A. L. Mills,
President First National Bank, Portland, Oreg.

Graduated to increase in both situations upon some complementary plan which, in operating to reduce large urgency issues, would at the same time prevent abuse in continuing circulation subject to only a light punitive tax for nominal profit.

Wm. Ingle,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

See answer No. 11.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

To provide against overexpansion, I would advocate a sliding scale on top both on volume (above normal) and for length of time outstanding. (See answer to No. 11.)

ROBERT D. KENT,
President Merchants Bank of Passaic, Passaic, N. J.

The tax, or interest charge, should increase with the length of time outstanding. This tax should be payable to the association and be held by the association as surplus.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

It is preferable to give the Government such share of the profits of the reserve association or associations as may be found equitable, rather than to tax directly the circulating notes. If a tax is provided for at all, it should be only upon an extraordinary emergency issue.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

There should be no currency issued by banks.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

Graduated with the time outstanding.

J. H. STEWART,
Wichita, Kans.

Under the plan suggested currency should not be taxed.

EUGENE MARSHALL,
Manchester, Tenn.

There should be no bank currency.

KARL F. M. SANDBERG,
Chicago.

No tax on clearing-house currency should be provided. It is sufficiently strong not to need one. Clearing houses have found a way in recent panics of issuing checks which serve as currency and have saved whole sections of the country from bankruptcy. The

cost of this currency is the printing, which is nominal. If the Government fixes a tax on its currency, the clearing houses will adopt their own style of currency, because it is cheaper and equally safe.

All banks have declined Secretary McAdoo's offer of $500,000,000 of currency because it costs 5 per cent at first with a rising scale up to 10. They could not reloan the money except at a loss. Banks can not be expected to do business at a loss.

Before asking for currency from the Government, the banks would first call in all their cheap money, which process causes forced liquidations and an increased demand for loans. This raises the rate for money and makes a disturbance. If continued long enough, there would be a scare and a frantic bidding up for money, and then the situation would be sufficiently acute to warrant the banks in applying for loans of currency from the Government. It is respectfully submitted that this is not a good system for the Government to adopt.

Other arguments are set forth in my statement submitted to the Finance Committee of the United States Senate January 7, 1908, a copy of which is attached hereto. (See p. 10.)

Credit currency should not be placed beyond the reach of the people. It should be issued early, so as to be preventive of panics and not a remedy after the attack.

THEODORE GILMAN,
New York.

There should be no tax on this currency, as you can not tax the currency without taxing the people who use it.

J. R. GREENLEES,
Lawrence, Kans.

Both, but the graduation fairly moderate.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 13.

Should there be a central reserve association with branches, or a number of reserve associations with or without a central control? If a number of reserve associations under central control, should that control be wholly with representatives of the various associations, or wholly by the Government, or by giving both representation?

ANSWERS.

There should be district reserve banks of discount for banks, such district reserve bank to be owned by the banks of the district and to be under the joint control of the Government and bankers and business men, properly selected. In addition there should be a general, joint, supervising agency over all districts.

JOHN McHUGH,
President First National Bank, Sioux City, Iowa.

There should be a central reserve association with branches, under the control of a board of directors composed of bankers, business men, and Government officials.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

I am inclined to think that a number of reserve associations with central control, which would be participated in by both the associations and the Government, would be as efficient as any system that could be devised.

FRED M. QUINCY,
President Planters' State Bank, Salina, Kans.

As our ancestors thought that a united Republic was stronger than 13 separate States, so a central reserve association, with branches, is better than a number of regional reserve associations. However, if such central reserve association can not be established under present conditions, the country will be vastly better off under properly organized regional reserve associations than at present. Except that the Government should have representation, the central control should be placed in the hands of representatives of the various associations, as they alone are competent properly to administer the finances.

A. L. MILLS,
President First National Bank, Portland, Oreg.

I believe there should be a central reserve association with branches, but I do not believe a number of reserve associations would be a good thing without central control, and that control should be in the hands of both the Government and the members of the association, as nearly equally divided as possible.

D. N. FINK,
President Commercial National Bank, Muskogee, Okla.

Infinitely better to have a central reserve with as many branches as may be found necessary. A number of reserve associations with central control would or should mean the same thing.

Disunited or independent associations would be unfortunate, and would mean only a lessening of present evils in giving, say, 50 units instead of the present number, say, 8,000 banks; while possibly the Government should have a small minority representation on controlling board, its function should be only that of regulation under law and Public Printer.

WM. INGLE,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

Make the interest rate for loans above normal, and control is immaterial. Expansion and contraction of currency, etc., will be automatic. The three cities mentioned are ample for all purposes. As we are interdependent, a relief measure in great centers gives relief to all. If New York banks could have had such relief in 1907, banks generally would not have suspended, but kept on the even tenor of their way.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

Let there be a central reserve association, or, preferably, a bank of the United States; provided, however, that the institution shall not compete with banks, and that its only customers shall be banks and the United States Government. Control to be by Government officials and appointees and by representatives of stockholders.

ROBERT D. KENT,
President Merchants Bank of Passaic, Passaic, N. J.

I favor 15 reserve associations, two-thirds of the members of which shall be bankers and the other third representatives of the United States Government.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

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(1) In my judgment there should be one central reserve association with branches. This is the logical method, and much more easy to control than a number of separate associations.

(2) If a number of reserve associations are established, the control might properly be in the hands of a board, which should consist of representatives from the various associations, and also from the United States Government.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

No; there should not be any "central reserve association," or "number of reserve associations." Any law creating such ones legalizes the financial trust.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

A central reserve association is not needed. Let each association be independent, and let individual banks cooperate in handling business as they do now. This would give all the interchange and additional assistance needed.

J. H. STEWART,
Wichita, Kans.

No; there should not be any "central reserve associations," or "number of reserve associations." Any law creating such ones legalizes the financial trust.

KARL F. M. SANDBERG,
Chicago.

Reserve associations of the various kinds are all of a class, and all have the same inherent defects. By their intricate methods of electing officers and directors they can be attacked in detail and captured by designing combinations of capital. The country has decided against the idea of centralization, and it will never approve any plan which squints in that direction.

Reserve associations have been discussed in answer to question 7.

THEODORE GILMAN,
New York.

A central reserve association with branches is along the line suggested, but it should not be a reserve association, but a real bank. There should be but the one central organization, and each bank, through joint ownership of this organization, would be in reality a branch of the central institution. I believe that such an organization can be made and the ownership so distributed through the local ownership of the individual unit banks, which would be its branches in a certain sense, so that every nook and corner of the United States would own its just proportion of the central organization through its ownership of this local bank. If you can not work out a scheme of organization of this kind, leaving the control of it in the hands of the officers of that organization, then adopt the German idea out-

right and have the capital of this organization provided, as suggested, by unification of the banks, and then have the central organization administered under the direction and control of the Treasury of the United States, Comptroller of the Currency and Director of the Mint. Put on the board with these gentlemen such other bankers and business men from the country at large as would give a sound, safe, representative control of the central organization, but all under the control of the Government. Personally, I do not believe that this is necessary or even advisable.

J. R. Greenlees,
Lawrence, Kans.

No; the reserve associations are too similar to the scheme of a United States bank.

Sigmund Feust,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 14.

Should such reserve association have a geographical territory and exercise the functions of a reserve bank in such territory exclusively; or should member banks of any reserve association be permitted to exercise a choice as to which of the near-by or contiguous reserve associations they should join without regard to fixed territory?

ANSWERS.

A district should be determined by geographical territory and similarity of seasonal requirements in territory selected. Bankers within such territory should be confined in their dealings to the reserve bank of that territory.

John McHugh,
President First National Bank, Sioux City, Iowa.

The branches of the central organization should be located geographically, and member banks should be restricted to the territory covered by that branch.

S. H. Burnham,
President First National Bank of Lincoln, Lincoln, Nebr.

I would say that member banks should be permitted to join the association most convenient in point of location for them to transact business with in preference to a fixed territory.

Fred H. Quincy,
President Planters' State Bank, Salina, Kans.

Regional reserve associations should be established according to the financial needs of the country without reference to geographical distribution. After such financial division has been made no member bank should be permitted to change its allegiance without consent of the central board of control; to do so might permit a combination of many of the principal banks of the country in one regional reserve association. Unless a palpable error has been made in the original division of territory no bank should be permitted to exercise a choice of a regional reserve association.

A. L. Mills,
President First National Bank, Portland, Oreg.

My opinion is that there should be a territory governing the branch reserve agents, operating under the central control, and that banks located in that territory should be compelled to do their business through that branch, unless it could be shown that it would be a great inconvenience for it to do so.

D. N. FINK,
President Commercial National Bank, Muskogee, Okla.

A branch reserve association should minister exclusively to its own territory, and all banks in such territory should deal only with their local reserve. (In this connection read answer to query 21.)

WM. INGLE,
Vice President Merchants-Mechanics' National Bank, Baltimore, Md.

Not material. Let each bank select its own depository or reserve city.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

Yes, as to territory, as far as possible, but without making this an ironclad rule. The banks should have the option of using the nearest association.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

It would appear to me more desirable to allow banks to transact their business with any of the branches of the reserve association that were most conveniently located for their purposes. It will prove difficult to district the country by rigid lines. In many cases the commercial requirements will not be those that are anticipated or that now exist. The less prohibition that there is in the act the better it will work in practice.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

There should not be any reserve associations.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

Have a geographical territory arranged largely by the natural business centers and operations.

J. H. STEWART,
Wichita, Kans.

There should not be any reserve associations.

KARL F. M. SANDBERG,
Chicago, Ill.

The viciousness of the regional reserve bank comes out when it is proposed each shall hold all the reserves of its territory exclusively. The anxious question would always be uppermost in the banks of a district, What is happening to our regional reserve bank? All business men are now eager to know how the reserves in reserve cities stand, but that anxiety would be much greater if regional reserve banks were established.

Reserve cities should not be limited as to the banks for which they may act as reserve agents, but localities for the distribution of currency can safely be multiplied and all banks should be restricted to doing business with the bank of issue in their district. If banks could take out currency from any clearing house of issue, its home clearing house would not know how it stood financially.

There should be one clearing house of issue in each State, and in a few instances there might be two, as New York City and Buffalo, Philadelphia and Pittsburgh, Cincinnati and Cleveland, St. Louis and Kansas City, and San Francisco and Los Angeles.

THEODORE GILMAN,
New York, N. Y.

No; do not cumber the association with a multiplicity of reserve associations. You simply weaken your structure. The simpler and more direct you can build this head organization, the more satisfactory it will work, and the better service it will give to the country.

J. R. GREENLEES,
Lawrence, Kans.

No.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 15.

Should such reserve associations have State banks and trust companies as stockholders; and, if so, what requirements should be made of such State banks and trust companies?

ANSWERS.

State banks and other banks under State supervision should be permitted but not required to become shareholders of reserve banks. When they do they should be permitted discount and currency privileges the same as national banks.

JOHN McHUGH,
President First National Bank, Sioux City, Iowa.

The central reserve association should admit under proper regulations National and State banks and trust companies.

S. H. BURNHAM,
President First National Bank of Lincoln.

As more than 65 per cent of the banking business of the United States is done to-day by State banks and trust companies they certainly should be permitted to participate in any system of currency and credit that would be established upon approximately equal terms with national banks, perhaps with the supervision of some State banking department approximately equal to national inspection and requirements in regard to capital, surplus, reserve, etc.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

State banks and trust companies should be permitted to become stockholders of reserve associations and have all the privileges granted to other stockholders; provided, however, they submit to the same restrictions and limitations that are imposed upon national banks.

A. L. MILLS,
President First National Bank, Portland, Oreg.

I doubt the wisdom of allowing State banks and trust companies to be members of the association as stockholders, for it occurs to me that if they desire to get into the list it would be their duty to nationalize. However, I would not have any serious objection to allowing certain privileges to be extended to them in the way of loans, rediscounts, etc.

D. N. FINK,
President Commercial National Bank, Muskogee, Okla.

Any answer opens large questions. Until banking can be nationalized as should be done no State chartered institution should have the privilege of membership in reserve association. If, however, such corporation would formally place themselves under the authority of the Federal Government, if this be possible, and consent to be controlled by the same law governing national banks in regard to capital, reserve, loans, etc., there could be no objection to their membership.

WM. INGLE,
Vice President Merchants-Mechanics National Bank,
Baltimore, Md.

If member banks deposit part of present reserves merely to mobilize funds, capital stock is not necessary, especially if operative through clearing houses or subtreasuries. State banks and trust companies should share in equal privileges on complying with like requirements as to national banks.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

Yes; all banks, State and National, and trust companies should be on an equal footing.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

There will be no adequate solution of the banking and currency question until the banks (except savings banks pure and simple), State and National alike, are allowed to join the association. Where the State laws regarding capitalization and supervision are obviously inadequate, it would certainly be proper to establish a minimum of requirements that must be met before allowing such banks to join the association.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

There should not be any reserve associations.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

Yes; but all members should have a capital of $25,000 or over.

J. H. Stewart,
Wichita, Kans.

There should not be any reserve associations.

Karl F. M. Sandberg,
Chicago.

Always eliminating the "reserve" idea and substituting for it the clearing-house idea, it should be provided that all State banks and trust companies should be entitled to membership in national clearing houses on presentation of the certificate of the banking department of their State. They should be required, as an essential condition to membership, to conform to the requirements of the national-bank act as to reserves.

Theodore Gilman,
New York.

By all means provide that State banks, loan and trust companies should join with the national banks, and each have their pro rata share of the stock in this central organization, which could be provided by their paying in 15 per cent of their paid-up capital.

J. R. Greenlees,
Lawrence, Kans.

No.

Sigmund Feust,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 16.

Approximately, how many regional reserve associations should there be if that system is adopted? What, if any, should be the minimum capital stock, and what amount of stock should each member bank hold?

ANSWERS.

Approximately 15 districts; possibly less; the number to be determined after very careful consideration. Banks should be required to purchase shares in the district reserve banks in amount equal to at least 10 per cent of paid-up capital of the bank becoming the shareholder. This should be paid in in gold.

JOHN MCHUGH,
President First National Bank, Sioux City, Iowa.

The fewer number of regional reserve associations the better.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

If regional reserve associations are established, there should be enough to accommodate the banks of the country conveniently. The channels of trade to-day are pretty well established in this respect and ought not to be seriously interfered with. As to the amount of minimum stock this should be ample to furnish unquestioned security for the amount of currency to be issued by each, and each member bank should be required to own from 10 to 20 per cent of their capital stock and surplus in such stock, or an amount sufficient to guarantee ample capital to the reserve association and should be furnished out of and be counted as surplus by the participating banks.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

There should be at least 12 regional reserve associations, say, 3 on the Pacific coast, 4 in the Middle West, and 5 on the Atlantic coast. The capital stock of a regional reserve association should not be less than $5,000,000, and each member bank should hold stock equal to 10 or 20 per cent of its paid-up capital.

A. L. MILLS,
President First National Bank, Portland, Oreg.

Perhaps the control bank of the associations should be located either in Washington or some other large city, centrally located, preferably Chicago or St. Louis, and the branches should be located at convenient places in the larger cities of the United States, not allowing too many—perhaps the city of New York, Philadelphia, Chicago, St. Louis, Kansas City, Mo., some intermediate point in the Ohio and Mississippi Valleys, New Orleans, Dallas, Denver, Salt Lake City, San Francisco, and perhaps Portland and St. Paul.

It occurs to me that these points would very conveniently cover the territory they would be called on to serve.

D. N. Fink,
President Commercial National Bank, Muskogee, Okla.

Probably 15 for the entire country would be sufficient, or one each for every group of States subject in a general way to like conditions and demands for capital.

Capital stock largely a question of arithmetic, the answer depending upon several factors. (Are we to have one bank with branch offices or several independent but related regional reserves, and are State institutions to join?)

Wm. Ingle,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

Do not believe a central bank with branches or, what is the same thing, branch regional reserve associations necessary. What we need is extraordinary rediscounts for cash in abnormal times, and our present central reserve banks will care for us in normal times. Monopolistic and expensive machinery are both unnecessary.

Andrew J. Frame,
President Waukesha National Bank, Waukesha, Wis.

Not less than 15. The member banks should be limited to an amount of stock equal to not over 20 per cent of their respective capital. Ten per cent would probably be enough.

J. R. Mulvane,
President Bank of Topeka, Topeka, Kans.

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(1) It will be very difficult to properly fix the proportion of capital in the case of regional associations. In the case of a central institution with branches this question would adjust itself automatically and could be changed from time to time with the varying requirements of the country.

(2) I have no adequate data upon which to compute the capitalization, but in the case of a central association with branches, in lieu of the regional associations, I would regard $100,000,000 as sufficient.

James K. Lynch,
Vice President First National Bank of San Francisco.

There should not be any reserve associations.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

Thirty to forty associations. Minimum capital from $5,000,000 as a minimum up. Each member holding an interest in proportion to its capital and surplus.

J. H. STEWART,
Wichita, Kans.

There should not be any reserve associations.

KARL F. M. SANDBERG,
Chicago.

There should be a clearing house of issue in each State and subdivision of a State. Clearing houses have no capital, as they are representative of all the capital of all their banks. State laws and State boundaries are well established and less confusion would result from adopting that division than from any other.

If the banking capital of a State is small, the privilege of note issue would be small also. Much good would result from the intimate knowledge bankers have of the credit and resources of business men in their State and from the ability of each State to foster its own enterprises and furnish the lifeblood of trade to its own people.

THEODORE GILMAN,
New York.

None whatever.

J. R. GREENLEES,
Lawrence, Kans.

No.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 17.

How should the directors of a reserve association be elected? What should be their number, powers, and term of office?

ANSWERS.

The number of directors of such district reserve bank is a matter of detail dependent largely upon the activity and requirements of the district. Generally speaking, I would favor a board of 12 members, 5 to be bankers, 4 to be selected from different businesses outside of that of banking, and 3 to be Government officials, the latter to be permitted to delegate their power, if necessary, to the manager of the district reserve bank. The terms of office at the beginning in the case of bankers to be 2 for one year, 2 for two years, and 2 for three years; in the case of the business men outside of the bankers, 2 to be for two years and 2 to be for three years; at the expiration of terms, the vacancies to be filled for three years in each case. The bankers and the business men should be nominated within 30 days of the time of election and then selected by a mail ballot in which all the shareholders would be permitted to have one vote for each shareholder, regardless of number of shares owned.

John McHugh,
President First National Bank, Sioux City, Iowa.

I should say that the directors of the reserve associations should be elected by a vote of the member banks, each bank having one vote. As to the number, powers, terms of office, etc., this is a mere matter of detail, although perhaps very important, especially as to the powers. They should have ample power, in my judgment, to do whatever might be necessary to transact the business of the association without too many restrictions.

Fred H. Quincy,
President Planters' State Bank, Salina, Kans.

There should be 9 directors of the regional reserve association, 6 to be elected by the stockholders of the association and 3 to be appointed by the central board of control from a list to be prepared by the bank examiners of 20 reputable business men of the community. The directors should serve for three years and provision should be made for an election of 3 of the members each year.

A. L. Mills,
President First National Bank, Portland, Oreg.

The directors should be elected, half by the association membership, and the other half by the President of the United States, on confirmation of the Senate, and should serve for a period of five years, having them elected and appointed to begin with on long and short terms, so that a greater number than half would not retire at one time. I think the members should be chosen one from each branch of the association, and an equal number appointed by the President, who shall select them from a territory covering as wide a scope as those that are selected by the branch associations, that is to say, that the appointments should not be confined to one part of the United States.

D. N. FINK,
President Commercial National Bank, Muskogee, Okla.

A detail to be worked out with comparative ease once the base is determined upon.

WM. INGLE,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

It is immaterial if a few good men pass on the paper taken. The interest or tax rate will automatically fix expansion and contraction. If done through the clearing houses or subtreasuries, the machinery is nearly all there now.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

There should be, say 25 directors, with an executive committee of, perhaps, 6, and the president of the association, the president being exofficio as a member of the executive committee.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

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(1) By the stockholders under a method of adjustment between the shares owned and number of stockholders, that would preclude the monopolization of the control of the bank by any interest or interests.

(2) Details that I am not prepared to answer.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

There should not be any reserve associations.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

By ballot, from 7 to 13 in members, and their term of office at least two years.

J. H. STEWART,
Wichita, Kans.

There should not be any reserve associations.

KARL F. M. SANDBERG,
Chicago, Ill.

Directors should be elected for a clearing house of issue by a direct primary. The circuitous way analogous to the election of Senators by legislatures should be discarded, and directors should be elected so as to hold their allegiance to their own banks and their own people. The regional-bank idea offends in this particular, and such a bank can not be constructed on any other. The plan of indirect election and appointment of directors invites corruption and insures scandals.

THEODORE GILMAN,
New York.

None whatever.

J. R. GREENLEES,
Lawrence, Kans.

No.

MR. SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 18.

What should be the general nature of the business of such an association?

ANSWERS.

The general nature of the business of such district reserve bank to be to act as depositary for the Government, to be a bank of discount and issue for shareholder banks. Shareholder banks might keep what deposit they might determine with such district reserve bank, but at no time a less amount than 10 per cent of their deposits. Each district reserve bank's surplus funds could be loaned upon demand, or such time as the experience and prudence of its board, concurred in by the general supervising agency, would suggest and determine, either to other reserve bank or banks or upon proper commercial paper, but under no circumstances should such district reserve banks enter into competition in the open market or become a bank of deposit except in so far as it would serve the banks of its own district as a bank of deposit.

JOHN MCHUGH,
President First National Bank, Sioux City, Iowa.

Discounting for members of the association.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

The general nature of the business of such an association should be to receive deposits of member banks and the Government and to deal in credits and currency; and currency, in my judgment, should be as e lastic and liquid as credit, in view of the fact that 95 per cent or more of the business of the country to-day is transacted with bank checks and drafts and bank accounts and credits.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

A regional reserve association should be a bank of banks. In a general way, it should have the right to issue currency and to discount paper of its member banks. It should be permitted to deal in

exchange and sell and purchase bullion. Its dealings should be confined to the Government and to member banks of associations. It should not be permitted to receive deposits of individuals nor be permitted to deal directly with the community.

A. L. Mills,
President First National Bank, Portland, Oreg.

The nature of the business of the central association should be to receive deposits and make loans to its membership only.

D. N. Fink,
President Commercial National Bank, Muskogee, Okla.

Reserve associations should hold balances only from their respective banking owners and the Government and should have no business whatever with the public. They should not act as collection agents or otherwise compete with independent banking. Their funds should be employed in furnishing accommodation to their owners or to each other and to investment in United States bonds.

Wm. Ingle,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

To act like a water reservoir, to put out a fire in its incipiency and refill again ready for future troubles. Practically inactive in normal periods, that the reservoir of cash may not be empty when needed. In the words of the bullion report of 1810 to the House of Commons, in panic periods "it is the duty of the bank to discount freely to all solvent parties." That operation kills panic, but at high rates to force quick retirement of extra issues and expanded credit.

Andrew J. Frame,
Waukesha National Bank, Waukesha, Wis.

The association should be a depository for the member banks, should discount their paper for them, and be empowered to procure emergency currency for them when required.

J. R. Mulvane,
President Bank of Topeka, Topeka, Kans.

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(1) Transacting the Government business, which will include the deposit of the Government store of gold, except such coin as may be held against gold certificates.

(2) The discount of approved commercial paper and the gradual development of a true discount market, which must deal to a considerable extent in bank acceptances.

James K. Lynch,
Vice President First National Bank of San Francisco.

There should not be any reserve associations.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

To effect an organization and arrange all details to be ready to operate, and then the officers familiarize themselves with general conditions of the territory and the members of the association. Investing capital stock as required by law.

J. H. STEWART,
Wichita, Kans.

There should not be any reserve associations.

KARL F. M. SANDBERG,
Chicago.

The holding of the reserves of a district should not be committed to a single association, as such a plan introduces a new element of danger into the banking situation besides opening the gates to corruption. The present method of holding reserves wherever the convenience of the depositing bank requires and its interest dictates should be continued. It has worked well and should not be changed.

The business of distributing currency is one which fits in with the other duties and work of a clearing house, and should be made part of the general plan of clearing houses which has spread over the country and which is understood by all bankers.

THEODORE GILMAN,
New York.

There should be none.

J. R. GREENLEES,
Lawrence, Kans.

No.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 19.

Should it accept any deposits other than those of banks, and should it be allowed to pay interest on deposits?

ANSWERS.

It should receive no deposits except those of the Government and the banks of its district, and it is doubtful if it should pay any interest thereon.

JOHN MCHUGH,
President First National Bank, Sioux City, Iowa.

It should not be allowed to receive deposits other than those of banks, and should not be allowed to pay interest on deposits.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln Nebr.

I do not think such an association should be permitted to accept deposits other than banks, except from the United States Government, and I think such an association should transact all of the Government's business, and my present opinion is that it should not be permitted to pay interest on any deposit, as the currency and credit furnished by such an association is for the benefit of all the people of the country and any interest charge would simply be, in the final analysis, a tax upon the people.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

It should not be permitted to accept deposits other than those of member banks of the association or other associations and it should not be permitted to pay interest on deposits.

A. L. MILLS,
President First National Bank, Portland, Oreg.

I do not think it should be allowed to receive business other than from its own membership, and should pay interest on the same at the rate of 2 per cent on daily balances.

D. N. FINK,
President Commercial National Bank, Muskogee, Okla.

No interest at fixed rate should be paid, but if profits permit after paying dividend provided by law, fixed and other charges, and proper provision for moderate surplus, the excess should be divided pro rata amongst depositors.

WM. INGLE,
Vice President Merchants-Mechanics National Bank,
Baltimore, Md.

No. No interest to be paid on mobilized reserves deposited, nor loaned in normal times, as that process would take from each bank a part of its reserve cash, then if loaned the purpose would be destroyed by dissipating the cash reserve in competing for loans against the depositors out of their own reserves. That plan is simply accessory to one's own hanging. It is not a plan for relief in trouble and is absolutely indefensible.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

No, as to deposits of the public.
It should pay 2 per cent interest on deposits of member banks.
It should be a bankers' bank.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

Other than the deposits of the United States Government it should accept deposits from banks only. It would probably be inadvisable for the association to pay interest, but this should not be prohibited by law, as in certain instances it might prove both profitable and advisable to pay such interest.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

There should not be any reserve associations.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

I would not organize to make profit but for protection and would not accept deposits other than of securities to issue currency on and would not pay interest.

J. H. STEWART,
Wichita, Kans.

There should not be any reserve associations.

KARL F. M. SANDBERG,
Chicago.

This question develops another defect in the regional bank system. Such a bank would compete with other banks and have a great advantage over many from its control of reserves and the currency function.

Banks which issue currency should not have any banking business to care for. The issue of currency should be impartial and not be used as a means of influencing deposits or other business. In the hands of designing men this great power would be used to the detriment of the public.

THEODORE GILMAN,
New York.

No. Provide that your central organization should do business only with the banks of the country and the Government and pay no interest on deposits.

J. R. GREENLEES,
Lawrence, Kans.

No.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 20.

Should it discount double-name commercial paper for its member banks on equal terms to all, and should its discount rate be public, subject to change weekly?

ANSWERS.

It should discount any proper paper for banks which its board would approve, always holding its resources in condition for such demands. Such paper as it might take from shareholder banks should be guaranteed by the borrowing bank.

JOHN McHUGH,
President First National Bank, Sioux City, Iowa.

It should discount double-name commercial paper for its member banks on equal terms, and its discount rates should be public.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

It should discount prime commercial paper for member banks bearing their indorsement on equal terms to all members, and I see no objection to this discount rate being public and subject to weekly change.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

It should be permitted to discount double-name commercial paper for its member banks; certainly the terms should be equal to all. Its discount rate should be made public, subject to weekly or semi-weekly change.

A. L. MILLS,
President First National Bank, Portland, Oreg.

It should be allowed to discount double-name paper from its members on satisfactory proof of the value of same. The rate of discount should be made public and subject to change.

D. N. FINK,
President Commercial National Bank, Muskogee, Okla.

Yes; but not necessarily at the same rate per cent.

No particular objection to advertising rate, but no strong reason to do so, provided it is uniform to banks in same territory. Rate could be changed on fresh business as often as conditions might suggest.

WM. INGLE,
Vice President Merchants-Mechanics National Bank,
Baltimore, Md.

The discount rate for each section should be above the normal rate for that section. A uniform rate for the whole of the United States, in sections developed and undeveloped, is absurd. If a big bank could fix a uniform rate of interest for the whole country, it would be a monstrous monopoly. The law of supply and demand and risk for money must govern.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

Yes; discount rate should be public, subject to change of market and other conditions.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

To both section of this question, yes.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

There should not be any reserve associations.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

The rate of discount should be subject to change, and the members pay in proportion to interest rates in different localities.

J. H. STEWART,
Wichita, Kans.

There should not be any reserve associations.

KARL F. M. SANDBERG,
Chicago.

This question shows that it is in the minds of its promoters to do a large and profitable business, using largely the reserves for that purpose. Only those who have thrown the idea of percentage to the winds would favor the use of reserves in this way.

The plan is radically unsafe.

THEODORE GILMAN,
New York.

The central organization should discount paper bearing the indorsement of its member banks on equal terms to all. Its discount rates should be published and subject to change as conditions compel or make it advisable, but if you limit the earning power of your central organization to 4 per cent, which is ample, this being double what the banks are getting on nearly three-fourths of a billion of their reserve to-day, then by so limiting the earnings of this central organization and providing for any earnings in excess of 4 per cent to revert to the Treasury of the United States, you do away with any incentive to use this central organization in a manner to exploit the country or any portion of it, and you provide, further, for a low and stable rate of discount for the entire United States. The only way your central organization could make earnings would be by discounting paper for the other banks, and if it can only earn 4 per cent this discount rate will run under normal conditions somewhere from 2 to 3 per cent, probably nothing in excess of 3 per cent.

J. R. Greenlees,
Lawrence, Kans.

No.

Sigmund Feust,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 21.

Should it loan directly to member banks with or without collateral security, and should the rate of interest be equal to all, public, and subject to weekly change?

ANSWERS.

Experience would be necessary to determine a number of details of management. The publication of a rate subject to change at any time, or weekly, might prove desirable.

JOHN MCHUGH,
President First National Bank, Sioux City, Iowa.

It should loan direct to member banks, through its branches, with collateral security.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

If loans are made direct to member banks, it should be with ample collateral security, and the rate of interest should be equal to all member banks; and I see no particular objection to the rate being public and subject to weekly change.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

Under adequate restrictions a regional reserve association should be permitted to loan directly to member banks upon collateral security, and the rate of interest should be the same to all, should be made public, and subject to weekly or semiweekly change.

A. L. MILLS,
President First National Bank, Portland, Oreg.

I do not think it should loan to anyone without collateral, unless the paper is of such character as its worth could not be questioned, and that only in rare cases; and I hardly feel justified in saying the rate of interest should be the same to all, for it is a well-known fact that where a bank receives a larger rate of interest on its loans it could afford to pay a larger rate of interest on its rediscounts; therefore it would appear reasonable and just that a sliding scale of interest could be made governing the size of the loan.

D. N. FINK,
President Commercial National Bank, Muskogee, Okla.

Yes; on direct obligations of banks secured by pledge of current trade paper, single or double name when rated, but not on stocks or bonds. A bank has no business to own either. Their present investments in such directions are at the expense of business which properly should have the care of banks. To accept stocks and bonds as collateral would simply add to the demand for money to be used largely in speculation and exploitation. The rate of interest charged on loans should not be uniform the country over, but should be graded to operate with even effect. If in a State where legal or contract rate is 6 per cent, a 5 per cent rate for discount be made—the discount rate should be $6\frac{2}{3}$ per cent in territory allowing 8 per cent rates.

Wm. Ingle,
Vice President Merchants-Mechanics National Bank,
Baltimore, Md.

Loans direct to depositors not objectionable. Barring stocks, the management must govern the quality of the loans and collaterals under conservative limitations.

Andrew J. Frame,
President Waukesha National Bank, Waukesha, Wis.

It should loan directly to member banks up to 25 per cent of their paid-in capital. Collateral should be required on loans in excess of that.

The rate should be equal to all, but not public.

J. R. Mulvane,
President Bank of Topeka, Topeka, Kans.

I should consider it inadvisable to loan directly to banks, as it would lead to loading the association with nonliquid and probably indigestible securities. Let the advances be entirely upon the discount of paper, with two or more names if possible. This restriction will in itself foster a discount market and improve the character of the investments of the banks.

James K. Lynch,
Vice President First National Bank of San Francisco.

There should not be any reserve associations.

Harry B. Fish,
Secretary People's Money League, Chicago, Ill.

Loan or issue currency directly to members subject to change in fixed rate and rate be in proportion to interest rates in different localities.

J. H. Stewart,
Wichita, Kans.

There should not be any reserve associations.

KARL F. M. SANDBERG,
Chicago.

This is a most astonishing suggestion. It shows how easily a regional reserve bank might drift into unsafe practices.

The safety of the business of the country requires this question to be answered in the negative.

THEODORE GILMAN,
New York.

The central organization should deal directly through its various branches with its member banks and should discount short-time commercial paper; or, in other words, paper such as the other banks loan their own money on; but all paper presented for discount should be indorsed and guaranteed by the bank having it discounted, and there should probably be some limitation placed on the amount which should be discounted at any one time for any one bank.

J. R. GREENLEES,
Lawrence, Kans.

No.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 22.

Should reserve associations be permitted to deal with each other in the purchase and sale of commercial paper, exchange, securities, and gold?

ANSWERS.

Only under authority and approval of the general supervising agency.

JOHN McHUGH,
President First National Bank, Sioux City, Iowa.

I think reserve associations should be permitted to deal with each other in the purchase and sale of commercial paper, exchange, securities, and gold. I think exchange drawn on any reserve association should be worth par at any association.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

Reserve associations should be permitted to deal with one another in the purchase and sale of commercial paper, exchange, securities, and gold; the different associations should be but component parts of the whole financial system with ability to lend strength one to the other.

A. L. MILLS,
President First National Bank, Portland, Oreg.

I can see objection as to why branch reserve associations should deal with each other, but there could be easily arranged a plan by which each could deal through the central control, thereby obtaining the same end as desired if dealing directly with each other.

D. N. FINK,
President Commercial National Bank, Muskogee, Okla.

Yes.

WM. INGLE,
*Vice President Merchants-Mechanics National Bank,
Baltimore, Md.*

No.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

Yes. Why not?

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

If regional associations are established and they are not permitted to deal with each other in the closest possible manner in every one of the particulars mentioned they will be worse than useless. Better have one association, and then this question can not arise.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

There should not be any reserve associations.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

No. Let the individual banks attend to that.

J. H. STEWART,
Wichita, Kans.

There should not be any reserve associations.

KARL F. M. SANDBERG,
Chicago.

This develops still further the plan of those pushing the regional reserve banks. They would form a chain of banks across the country, having dealings with each other, the character of which would be unknown to the public. Such associations should not be created by Congress.

THEODORE GILMAN,
New York.

It will be a mistake to have more than one organization.

J. R. GREENLEES,
Lawrence, Kans.

No.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 23.

Should Government deposits be withdrawn from banks and placed with the reserve associations; and if so, how should they be apportioned and what rate of interest, if any, should be paid? Within what time could this be safely done?

ANSWERS.

This is a matter of detail, but they should be apportioned with the idea uppermost of serving the general business of the country in an equitable manner, and any changes from existing custom should be made very gradually, so that business disturbance might not result.

John McHugh,
President First National Bank, Sioux City, Iowa.

The Government deposits should be withdrawn from banks and placed with the reserve association, with uniform rate of interest, 2 per cent.

S. H. Burnham,
President First National Bank of Lincoln, Lincoln, Nebr.

I think all Government deposits should be made with the reserve associations and withdrawn from individual banks and should be apportioned as nearly equal as possible between the various associations, and, as heretofore stated, I do not think the association should be permitted to pay interest on any deposit, Government or bank, but if so the rates should not exceed 2 per cent under any circumstances. As to the time necessary to accomplish this change, I think it could be safely done within six months.

Fred H. Quincy,
President Planters' State Bank, Salina, Kans.

Government deposits should be withdrawn from national banks and placed with reserve associations. Such deposits should be distributed in proportion to the capital of the several reserve associations. No rate of interest should be paid. A reasonable length of time should be granted for such transfer of Government deposits, distributed, say, over a period of two years.

A. L. Mills,
President First National Bank, Portland, Oreg.

I can see no good reason why Government deposits should be withdrawn from its membership and placed with the central control at one time. Perhaps it would be a good idea to withdraw the funds at least down to the minimum.

D. N. Fink,
President Commercial National Bank, Muskogee, Okla.

Yes; but apportionment would depend upon nature of basic plan. Present Government deposits could probably be withdrawn safely in a year or less.

Wm. Ingle,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

If new reserve organizations are developed, then Government deposits might go to them, but if the clearing houses are chartered, to cover our requirements, then the existing arrangement can not well be changed.

Andrew J. Frame,
President Waukesha National Bank, Waukesha, Wis.

Yes. The interest rate should not be over 2 per cent.

J. R. Mulvane,
President Bank of Topeka, Topeka, Kans.

The Government deposits should all be placed in the reserve associations, and should be free of interest. The Government should have a share of profits in lieu of interest.

James K. Lynch,
Vice President First National Bank of San Francisco.

Yes; Government deposits should be withdrawn from the private banks. They should never have been deposited in them. No; they should not be placed with reserve associations, but kept in the Government's own depositories, the treasuries and postal banks.

This could safely be done at any time, the funds being used to reclaim our natural resources, take over our public utilities, or to institute new public works.

Harry B. Fish,
Secretary People's Money League, Chicago, Ill.

No. Let individual banks deal with the Government, because the big majority of banks will have no Government deposit.

J. H. Stewart,
Wichita, Kans.

Yes; Government deposits should be withdrawn from the private banks. They should never have been deposited in them. No; they should not be placed with reserve associations, but kept in the Government's own depositories, the treasuries and postal banks.

This could safely be done at any time, the funds being used to reclaim our natural resources, take over our public utilities, or to institute new public works.

KARL F. M. SANDBERG,
Chicago.

It would create financial disturbance to transfer Government deposits from one set of banks to another. The proposal shows that the advocates of regional reserve banks want "all there is in it." This is no small scheme. It proposes to take everything in sight. The scheme should not be allowed.

THEODORE GILMAN,
New York.

Government deposits should be withdrawn from the local banks, and all Government funds carried in the central organization, and disbursements and collections for the Government should be made through this organization with its branches. These deposits could not be withdrawn until you perfect your new organization and provide a place where the banks can secure accommodations; this could be done within a very short time after the organization was perfected.

J. R. GREENLEES,
Lawrence, Kans.

No.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 24.

Should every national bank be required to keep its reserve with the association to which it belongs except such as it keeps in its own vaults; or should it be permitted to keep any certain per cent of its reserve with other reserve associations? If so, how much?

ANSWERS.

Such reserve as a bank might keep with a district reserve bank should be with the reserve bank of its own district and with no other.

JOHN MCHUGH,
President First National Bank, Sioux City, Iowa.

National banks should not be compelled to keep their reserve with the association. They should be permitted to keep a portion of it, at least, with other reserve associations in the event there are several.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

I think every bank, National or State, a member of the association should be required to keep its legal reserve with the association, except such as it keeps in its own vaults, providing, of course, that exchange is kept at par between the various associations.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

A national bank should be permitted to keep a certain per cent of its reserves with any reserve association, say, at least, 5 per cent. As the business of the country requires the principal foreign balances to be kept in the large centers, such as Chicago and New York, the national banks of the country should be permitted to keep their reserve in such cities in order that they can transact business to the best advantage.

A. L. MILLS,
President First National Bank, Portland, Oreg.

Each member should be required to keep his reserve with the bank in his territory unless it could be shown that it was a great inconvenience to do so, then he should be allowed to keep it in one that serves his territory best.

D. N. Fink,
President Commercial National Bank, Muskogee, Okla.

Under proper law a reserve of 15 per cent (in vault and half with one reserve) should be ample. The proportion might be changed in the case of rural banks.

Wm. Ingle,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

Except as indicated in No. 5. The reserves should not be disturbed. Country banks must keep deposits in central banks, and they with the great centers for their own convenience to cover daily, ordinary needs, and no law to prevent it will ever stand a practical test. Banks, individuals, and even Governments have idle money occasionally, and money rates will fluctuate in any progressive nation. To keep an even keel at all times is, alas, beyond the power of man.

Andrew J. Frame,
President Waukesha National Bank, Waukesha, Wis.

Every bank should keep its principal account with its own association; the balance with New York, Chicago, St. Louis, etc. Our headquarters would be Kansas City for this territory.

J. R. Mulvane,
President Bank of Topeka, Topeka, Kans.

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(1) Aside from the amount of coin reserve which it may be required that each bank should keep in its vaults banks should be permitted to count as reserve balances with any branch of the reserve association or associations.

(2) Limitations are difficult to fix intelligently and are always dangerous.

James K. Lynch,
Vice President First National Bank of San Francisco.

A bank's reserve should be kept with the Government.

Harry B. Fish,
Secretary People's Money League, Chicago, Ill.

No. Let the reserve be handled as it now is.

J. H. Stewart,
Wichita, Kans.

A bank's reserve should be kept with the Government.

KARL F. M. SANDBERG,
Chicago.

Keeping all its reserve with its regional reserve bank would be unsafe, and to distribute its reserve is inconsistent with the idea of the promoters.

THEODORE GILMAN,
New York.

Every bank should be compelled to keep its reserve with the central organization, except such as it keeps in its own vault. No bank should be allowed to pay interest on deposits of another bank under any circumstances.

J. R. GREENLEES,
Lawrence, Kans.

No.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 25.

Should a reserve association be required to maintain a reserve against its deposits, and, if so, in what amount, and should it consist of gold only or lawful money?

ANSWERS.

The district reserve bank should be required to maintain at least a 25 per cent reserve against its deposits, and that reserve should consist of gold only.

JOHN McHUGH,
President First National Bank, Sioux City, Iowa.

It should be required to maintain a reserve against its deposits of 35 to 50 per cent, and should consist of a certain per cent of gold and lawful money.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

I think the reserve associations should be required to maintain a reasonable reserve in gold against its deposits and currency. As to just what amount I am unable to express an opinion.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

If a reserve association be required to maintain a 25 per cent reserve against its circulation, in addition thereto it should maintain a reserve of at least 25 per cent against its deposits. Of this reserve against deposits a certain percentage, say, 15 per cent, should be gold and the balance might be lawful money.

A. L. MILLS,
President First National Bank, Portland, Oreg.

I am not prepared to answer this question other than to state a reasonable reserve would be best. However, central control bank would govern those things absolutely.

D. N. FINK,
President Commercial National Bank, Muskogee, Okla.

Yes; probably 25 per cent in gold only.

WM. INGLE,
Vice President Merchants-Mechanics National Bank,
Baltimore, Md.

Reserve associations should hold only gold or gold certificates for reserves as against bank deposits, as indicated in No. 5. As a secondary relief measure, see No. 6. On these little or no reserves are necessary, as such issues are for temporary purposes only.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

No.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

Reserve associations should be required to keep a gold reserve against their deposits as well as against their circulating notes. Under the scheme, which to me seems the only one possible, the term "lawful money" would have no meaning and would disappear with the retirement of the legal tenders.

JAMES K. LYNCH,
Vice President The First National Bank of San Francisco.

There should be no reserve associations.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

No reserve.

J. H. STEWART,
Wichita, Kans.

There should not be any reserve associations.

KARL F. M. SANDBERG,
Chicago.

This question shows how little importance is attached in the minds of the promoters to the safe custody of reserves. The national-bank act prescribes the amount of reserves to be kept by different classes of banks, and any different rule must be in the direction of an impairment or weakening of reserves.

The present provisions of the national-bank act should not be changed.

THEODORE GILMAN,
New York.

Our present laws requiring the tying up of nearly 50 per cent of all the money in the United States as legal reserve should be replaced, and your central organization should carry ample reserve against its note issues and deposits. As it would be charged with maintaining the gold reserve for the country, it would naturally carry it in gold. A credit to any bank in this organization would be counted the same as gold, just as a credit to-day in the Bank of England would be counted gold for one of the other banks, because the Bank of England always redeems its notes in gold.

J. R. Greenlees,
Lawrence, Kans.

No.

Sigmund Feust,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 26.

Should the liability of each member bank in a reserve association be limited to its stock subscription? If not, what should be the liability?

ANSWERS.

The liability of each member bank in a district reserve bank should be limited to the amount of its stock subscription.

John McHugh,
President First National Bank, Sioux City, Iowa.

The liability of each member bank in the association should be limited absolutely to its stock subscription. Otherwise it would be an indefinite liability that would involve its security to its other creditors and depositors. A member bank should be permitted to carry this stock as a part of its surplus, and in no case should be permitted to take it out of its capital.

Fred H. Quincy,
President Planters' State Bank, Salina, Kans.

The liability of each member bank in the regional reserve association should be limited to its stock subscription. As it is but a bank of banks with its note issues adequately protected by a gold reserve and its deposit liability confined to the Government and its members, there should not be an additional liability imposed on the member banks simply for the further protection of the Government deposits.

A. L. Mills,
President First National Bank, Portland, Oreg.

Yes.

D. N. Fink,
President Commercial National Bank, Muskogee, Okla.

Yes; unless detail of law would suggest wisdom of assuming greater responsibility.

Wm. Ingle,
*Vice President Merchants-Mechanics National Bank,
Baltimore, Md.*

Limit to stock subscriptions, if corporation organized, as no bank would take it otherwise.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

Limited to the amount of its stock subscription.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

While not fully prepared to answer this question, it appears to me that the liability to each member bank should be limited to its stock subscription.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

There should be no reserve associations.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

Its secondary liability should be in proportion to its stock in the association, but each member should be fully liable for all currency issued to it.

J. H. STEWART,
Wichita, Kans.

There should not be any reserve associations.

KARL F. M. SANDBERG,
Chicago.

This question shows the advantage clearing houses have over regional reserve associations.

Without a stock subscription the members of a clearing house guarantee its obligations, and they are very careful what those obligations are. There have been no cases of trouble with clearing houses. A regional reserve bank might easily get into trouble. The plan is not desirable.

THEODORE GILMAN,
New York.

Each individual member would be liable for all paper discounted by it.

J. R. GREENLEES,
Lawrence Kans.

No.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 27.

Should a reserve association have transactions with banks other than its own members; and if so, what character of transactions should be permissible?

ANSWERS.

If a district reserve bank had a surplus of funds and one or more other district reserve banks were in need of funds, it should be within the discretion of the general supervising agency to determine whether such surplus of funds could be loaned, payable on demand, to such reserve bank or banks as might be in need of funds.

JOHN McHUGH,
President First National Bank, Sioux City, Iowa.

The reserve association should not be permitted to have transactions with banks other than its own members.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

I do not think a reserve association should have any transactions with banks other than its own members.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

A reserve association should not be permitted to have transactions with banks other than its own members, since membership is open to all banks in the territory, provided all alike submit to the same regulations. It is not proper that a bank not a member should have the benefits to be derived from the association without the responsibilities and liabilities.

A. L. MILLS,
President First National Bank, Portland, Oreg.

Yes; to the extent of loaning its surplus funds on first-class security and of liquid form.

D. N. FINK,
President Commercial National Bank, Muskogee, Okla.

None; excepting only with central reserve other branches.

WM. INGLE,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

No.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

No.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

Don't attempt to make artificial barriers between the reserve associations. It would only be an attempt to build a Chinese wall around geographical districts very hard to definitely locate. Better stick to the central association with branches, and this question will not arise.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

There should be no reserve associations.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

No.

J. H. STEWART,
Wichita, Kans.

There should not be any reserve associations.

KARL F. M. SANDBERG,
Chicago.

Evidently these regional reserve associations are intended to do a general business all over the country. All these questions show the dangers of the scheme. They would certainly establish a money trust of the most powerful description.

THEODORE GILMAN,
New York.

Included in foregoing answer.

J. R. GREENLEES,
Lawrence, Kans.

No.

SIGMUND FEUST,
President South Bronx Property Owners' Association, New York City, N. Y.

QUESTION NO. 28.

Should national banks be permitted, upon payment of a commission, to loan their credit by accepting bills arising out of the ordinary course of commerce, and should reserve associations be permitted to deal in these acceptances in transactions with banks or other reserve associations?

ANSWERS.

Yes. Banks should be permitted to execute acceptances when properly authorized to do so by responsible customers requesting it. Such acceptances ought to be just as available with the district reserve bank for credit or currency as commercial paper, if not more so.

JOHN McHUGH,
President First National Bank, Sioux City, Iowa.

National banks should be permitted to loan their credit by accepting bills arising out of strictly commercial transactions to a certain extent. This, however, should be limited.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

I think all banks, members of any association, whether State or National, should be permitted to deal in credit by accepting bills arising out of ordinary course of commerce, and reserve associations should be permitted to deal in these acceptances in transactions with other associations under reasonable restrictions.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

National banks should be permitted, upon payment of commission, to loan their credit by accepting bills arising out of the ordinary course of commerce, and reserve associations should be permitted to deal in such acceptances; otherwise one of the benefits to be derived from the reform of the currency is lacking.

A. L. MILLS,
President First National Bank, Portland, Oreg.

Yes; on the approval of the central control bank's board of directors passing on its transactions.

D. N. FINK,
President Commercial National Bank, Muskogee, Okla.

Yes; provided always that no bank should be permitted to assume liability of any kind either for deposits, circulation, rediscounts, bills payable, or acceptances beyond an amount which shall be such multiple of capital stock as law might name.

WM. INGLE,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

A dangerous fallacy. With a bank credit expansion of nine times capital now; with three-fourths of loans in bonds, mortgages, and slow paper; with the other one-fourth covering all live paper extant and always absorbed by banks first, why should banks generally be allowed to pyramid credit on credit? Acceptances should be confined to acceptance or discount houses making it a business and not to banks of deposit.

The necessity for additional opportunities for rediscounts is manifestly absurd, because out of $18,500,000,000 of loans, discounts, etc., the total rediscounts and money borrowed by all banks from banks averages the insignificant sum of $150,000,000, or less than 1 per cent of the whole. The present city reserve banks are open at all times (except in panic periods, which is the only trouble to solve) for far larger rediscounts if needed.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

Do not permit national banks to accept bills, except such as shall represent merchandise actually in transit or represented by merchandise covered by negotiable warehouse receipts.

ROBERT D. KENT,
President Merchants Bank of Passaic, Passaic, N. J.

All banks should be treated alike. The reserve associations should not be permitted to deal in acceptances. Acceptances are a broker's business.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

National banks should be permitted upon receipt (not payment of a commission) to loan their credit by accepting bills arising out of the ordinary course of commerce. Most emphatically reserve associations should deal in such acceptances.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

No. Neither national nor other banks should be permitted to loan their "credit," nor should reserve associations be permitted to deal in acceptances. All such transactions mean the substitution of some other mediums for Government money and must be classed and should be treated as counterfeiting. The Government has the full ability as well as the monopoly of furnishing all mediums of exchange needed and should promptly and unhesitatingly do so for the good of us all.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

No.

J. H. STEWART,
Wichita, Kans.

No; neither national nor other banks should be permitted to loan their "credit," nor should reserve associations be permitted to deal in acceptances. All such transactions mean the substitution of some other medium for Government money and must be classed and should be treated as counterfeiting. The Government has the full ability as well as the monopoly of furnishing all mediums of exchange needed and should promptly and unhesitatingly do so for the good of us all.

KARL F. M. SANDBERG,
Chicago.

This is another indication of the desire to revolutionize the banking methods of this country and introduce foreign customs, all in the direction of making the business of regional banks more general. It may be that the proposed change is desirable, but it is not a necessary part of banking reform and should not cumber the new bill.

THEODORE GILMAN,
New York.

Our banks should be permitted to accept bills arising out of the ordinary course of commerce, and the banks of the country should be authorized to deal in such bills. Your central organization should have authority to buy such bills.

J. R. GREENLEES,
Lawrence, Kans.

Such a measure alone (pt. 1 of the question) might or may be one of the greatest blessings and best progressive measures ever thought of and place the country's working, industrial, and other forces on the lasting road to prosperity, but its consequences might be disastrous. I can only compare it with an insurance which pays out the whole amount of the loss at once on receipt of the premium; but properly restricted by law, in regard to the security to be given to the purchaser of the guaranty or credit, it may be of great benefit.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 29.

Should there be a limit within which banks should be permitted to give acceptances? If so, what limit?

ANSWERS.

Such acceptances should not run longer than 90 days, preferably 30 to 60 days.

JOHN McHUGH,
President First National Bank, Sioux City, Iowa.

I think there should be a limit to which banks might give acceptances, but would not like to suggest what that limit should be.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

Banks should be limited in their power to give acceptances. Such limitation should be practically that now granted to national banks in the matter of loans; in other words, they should not accept drafts of one maker in greater amount than 10 per cent of their capital and surplus. The total amount of such outstanding acceptances at any one time should not exceed the capital of the bank.

A. L. MILLS,
President First National Bank, Portland, Oreg.

Yes. Not to exceed its capital.

D. N. FINK,
President Commercial National Bank, Muskogee, Okla.

A bank without deposits would hardly have any excuse for existing. To permit such a bank to only use its capital as the means of borrowing money from a reserve association would be poor policy. It might, therefore, be wise to limit outstanding acceptances to some fraction of deposit line proposed, say 10 per cent.

WM. INGLE,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

See No. 28.

ANDREW J. FRAME,
President Waukesha National Bank, Waukesha, Wis.

Acceptances should be strictly limited in total amount to, say, 25 per cent of capital and surplus.

ROBERT D. KENT,
President Merchants Bank of Passaic, Passaic, N. J.

The practice should not be permitted.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

It is probable that the permission to accept drafts should be confined to banks with a certain minimum capitalization. Without having given extended consideration to this question, I would put the limit at $1,000,000.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

Banks should not be permitted to give acceptances. If there is any need of acceptances they can be handled by the Government.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

As I understand the matter I would not have any acceptances at all.

J. H. STEWART,
Wichita, Kans.

Banks should not be permitted to give acceptances. If there is any need of acceptances they can be handled by the Government.

KARL F. M. SANDBERG,
Chicago, Ill.

The trend of these questions indicates that they are inspired by bank officers familiar with English or Canadian banking, and this country can no doubt learn much from those sources.

But the present is not the time to take up discussions on subordinate points. They had better come later.

THEODORE GILMAN,
New York, N. Y.

Your central organization should not be allowed to earn more than 4 per cent. All other earnings above that amount should revert to the Government, and be placed to the credit of the Treasury of the United States.

J. R. Greenlees,
Lawrence, Kans.

Yes; in proportion to their capital and assets.

Sigmund Feust,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 30.

What dividends should reserve associations be permitted to pay their member banks?

ANSWER.

They should be permitted to pay 5 per cent, or possibly 6 per cent, according to the earning power of money in the district, and providing the dividends were earned, and providing, too, that a proper amount was first carried to surplus account.

JOHN McHUGH,
President First National Bank, Sioux City, Iowa.

Dividends should be allowed to 5 or 6 per cent.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

Reserve associations should be permitted to pay their member banks, I should say, 5 per cent dividends on stock held by them, and all their earnings above 5 per cent should be placed in surplus until the surplus of the association should equal half its capital, after which a dividend should be paid to the extent of its earnings after all reasonable deductions and expenses are paid.

FRED H. QUINCY,
President Planters State Bank, Salina, Kans.

Reserve associations should be permitted to pay their members dividends not to exceed 6 per cent after a 20 per cent surplus has been accumulated. Earnings in excess of 6 per cent should be divided equally between the Government and the member banks.

A. L. MILLS,
President First National Bank, Portland, Oreg.

Eight per cent, and if, after setting aside a reasonable reserve for contingencies, the earnings are greater than 8 per cent, the discount should be reduced.

D. N. FINK,
President Commercial National Bank, Muskogee, Okla.

Probably 5 per cent, with possibly additional in equalization should discount rates be graded to meet different legal-interest rates in different States.

Wm. Ingle,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

If banks provide the funds, profits should go to them.

Andrew J. Frame,
President Waukesha National Bank, Waukesha, Wis.

If interest on deposits is paid, dividends of one-half of net earnings could be permitted and the other half applied to create a surplus until the surplus equals the capital. Thereafter the association could pay dividends at its discretion.

J. R. Mulvane,
President Bank of Topeka, Topeka, Kans.

Five per cent until a proper reserve had been accumulated; afterwards 6 per cent.

James K. Lynch,
Vice President First National Bank of San Francisco.

Reserve associations should not be permitted to exist, let alone paying dividends.

Harry B. Fish,
Secretary People's Money League, Chicago, Ill.

Earnings up to 6 per cent. Above that be held as surplus for possible losses.

J. H. Stewart,
Wichita, Kans.

Reserve associations should not be permitted to exist, let alone paying dividends.

Karl F. M. Sandberg,
Chicago.

The dividends are not important and can be restricted to a small percentage. The real advantage to the promoters of regional banks would be in the control of the business of the country thus obtained. That would be so profitable that the dividends could be fixed at a low figure, say, 4 per cent per annum, and the scheme still be a money maker.

Theodore Gilman,
New York.

None. Banks owning stock in the central organization should receive their dividends on this stock, and no inducement should be given in the way of interest to carry a larger deposit than is required for their reserve.

J. R. Greenlees,
Lawrence, Kans.

None; there should not be any reserve associations.

Sigmund Feust,
President South Bronx Property Owners' Association,
New York City, N. Y.

QUESTION NO. 31.

Should any share of the profits of a reserve association be distributed to the member banks in proportion to the average deposit maintained by them during the year?

ANSWERS.

No attention should be paid to the amount of deposit maintained when considering the distribution of the earnings of the district reserve bank. Dividends should be paid upon shares regardless of the deposit maintained by the individual bank with the district reserve bank.

JOHN MCHUGH,
President First National Bank, Sioux City, Iowa.

Profits of a reserve association should not be distributed according to the average deposit maintained.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

Dividends or profits should not be paid to the member banks of any association based on deposits. It should be based on their stock holdings the same as in any other business institution.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

The average deposit maintained by member banks with the reserve association should not be considered in the distribution of profits.

A. L. MILLS,
President First National Bank, Portland, Oreg.

Yes.

D. N. FINK,
President Commercial National Bank, Muskogee, Okla.

If no interest on deposits in reserve banks be paid then surplus profits, if any after payment of dividend, charges, etc., as see answer to query No. 19.

WM. INGLE,
Vice President Merchants-Mechanics National Bank, Baltimore, Md.

No; as interest would be allowed on deposits the average deposit maintained by a member bank should not affect the dividend paid to that member.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

There are certainly some advantages in distributing a part of the profits in proportion to the average balances maintained, although I believe it will be found easier to adjust this matter by paying a moderate rate of interest on balances, and then making the dividend alike for all.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

The banks have proved themselves fully able to look after their profits without the aid of the Government.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

I think deposits will be made for convenience only.

J. H. STEWART,
Wichita, Kans.

The banks have proved themselves fully able to look after their profits without the aid of the Government.

KARL F. M. SANDBERG,
Chicago.

Participation accounts are a good device with some companies, and if Congress should establish reserve associations this comparatively harmless feature could with propriety be incorporated in the scheme.

THEODORE GILMAN,
New York.

No share of the profits should be distributed to the members except the fixed earnings on their proportion of the stock of the central organization, which should not be allowed to exceed 4 per cent. All earnings in excess of this amount should revert to the Treasury of the United States, making of the central organization a protection to the individual banks, and through them to the people of the country, not a money-making concern.

J. R. GREENLEES,
Lawrence, Kans.

Same answer.

SIGMUND FEUST,
President South Bronx Property Owners' Association,
New York City.

QUESTION NO. 32.

Are you familiar with the recommendations of the National Monetary Commission made to Congress in January, 1912? If so, what is your opinion of the plan, and what modifications would you suggest, if any?

ANSWER.

Yes. Such changes and modifications as are set forth in foregoing answers.

If a banking and financial system be provided along proper lines it will so facilitate the handling of the business of the country as to prevent panics, and therefore in turn make impossible a great destruction of values experienced heretofore. It will render far greater service to the business and laboring people of this country than it will to banks and bankers, the banks only being the medium through which the business is transacted.

JOHN McHUGH,
President First National Bank, Sioux City, Iowa.

I think highly of the recommendations of the National Monetary Commission made to Congress January, 1912.

I favor it because it provides for one central organization without power to do any general banking; it provides for 15 branches located in various sections of the country; it provides for centralization of our reserve, with power to issue currency under careful regulations; and provides in its board of directors for not only experienced bankers, but a certain representation from the business world, and also a fair representation of Government officials.

S. H. BURNHAM,
President First National Bank of Lincoln, Lincoln, Nebr.

I have read a great deal of the recommendations of the National Monetary Commission made to Congress in January, 1912, and there are many things in these recommendations that I think are sound and should be considered in any system adopted. However, I do not agree with many of the suggestions made. It is too large a subject to criticize in a letter of this kind.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

I am somewhat familiar with the recommendations of the National Monetary Commission made to Congress in January, 1912, and heartily approve the plan it proposed for banking and currency reform. The modifications I might suggest to the plan are of minor importance.

A. L. Mills,
President First National Bank, Portland, Oreg.

The recommendations of the National Monetary Commission most ingeniously and fairly deal with an involved problem, which can not possibly be solved in all of its relations in a single act and at one moment. A central bank with regional offices is not only ideal, but more practical than any substitute involving sacrifice to essential principles.

Wm. Ingle,
Vice President Merchants-Mechanics National Bank,
Baltimore, Md.

I am. The plan is the entering wedge to a monopolistic bank similar to what Andrew Jackson throttled in 1836. Its provisions for acceptances and easy methods of expanding our currency, sound political economy clearly indicates, spells overexpansion of currency and credit, a disease from which the whole world is now suffering. To add fuel to this fire is to press on more steam and meet with financial *Titanic* disaster.

The only thing we need is to mobilize a part of our present generous cash reserves, to the end that this impounded cash will put out an incipient fire in any section of the country, and so penalized that it will immediately retire again. That is true flexibility.

Second. To have a secondary reservoir of cash for use if the first is unable to cope with a seriously strained situation. See No. 6. Not a master or money-making proposition, but for relief in trouble of the best and most democratic banking system in its general functions that the world has ever known.

I believe in a central bank without general branches and with these limited powers; but if that is not possible, then give us such relief through the great clearing houses as outlined and the palsying effects of a general cash suspension by banks will be a nightmare to us no longer, practically without expense, monopoly, inflation of credit or currency. With this accomplished, the most democratic banking system on earth would be preserved and relief would always be at hand.

Andrew J. Frame,
President Waukesha National Bank, Waukesha, Wis.

The principal objection to the plan of the National Monetary Commission was that it would lead to overexpension. (See communication in New York Evening Post, Jan. 16, 1912, attached.) Another objection, a minor one however, is that there were too many branches

provided for. Seven or eight would be sufficient. To illustrate. It was intended to have one at Boston. As nearly every part of New England can be reached by express in one day from New York a branch in Boston would be entirely unnecessary. All points in extreme north or east New England could be fully supplied by the reserve banks in Albany or Boston. Nothing should be done to disturb the relations now existing between the national banks and their present reserve agencies. If the reserve banks can obtain needed currency, they can readily supply their regular correspondents with all that may be needed.

In a communication to the New York Evening Post, January 16, 1912, with reference to the danger of overexpansion in Aldrich plan, the writer stated:

SIR: Your columns have repeatedly sounded a note of warning against the prospect of overexpansion from the workings of the Aldrich plan of monetary reform in its present form. The writer, as a delegate to the convention of the American Bankers' Association recently held in New Orleans, from the floor of the convention asked Senator Aldrich what provisions there were to prevent excessive expansion. The Senator replied at considerable length, but frankly admitted that there was no special provision and stated in effect that he thought the good faith and good sense of the management and of the business public could be depended upon to avoid such a result.

My own opinion, based upon a banking experience of 37 years, is that there is great danger in the direction indicated. At present our credit can not expand as it should each fall to enable us to finance our vast crops. We need, say, $200,000,000 or $300,000,000 more than our present supply of money for a period of about three months each year. This means that all the rest of the year we have to carry on our business, knowing that we will later on have to pass through that tight time. Two or three links in a chain determine the strength of the chain.

In contrast to our present annual pressure for money and credit, we, under the proposed plan, can obtain what amounts to almost unlimited credit. This will be the result of several methods of expansion. First, the banks of the country can obtain large lines of rediscount. Second, they can, in addition to this, give their customers extra accommodation by pledging their credit in furnishing acceptances. Third, the balances in the possession of the reserve association can be counted as reserve for the individual banks. And not only that, but the notes of the association, in the possession of the banks, can also be counted as reserve by them. These last provisions will release hundreds of millions of dollars of legal money now required as reserve and permit it to go into general use. In going to these radical provisions for expansion from our present position, are we not going from one extreme to another, particularly so in view of the fact that the tendency of a large proportion of us is to overwork a good opportunity?

The writer would suggest that for a few years it would be better to limit our policy of expansion first to the matter of extending the opportunity for rediscounts, and, second, to permit the balances due from the reserve association to count as reserve. If after such time it was found that we used our new powers wisely and more expansion of credit seemed required, the other features could then be added.

The point I make is of sufficient importance to have it considered by the most able bankers and political economists that can be found. I should like to have the views of Paul M. Warburg, James B. Forgan, and Prof. Seligman, of Columbia University, on the subject.

ROBERT D. KENT,
President Merchants Bank of Passaic, Passaic, N. J.

Yes. The plan was, on the whole, an excellent one, having, however, a number of defects which would probably have been made evident

in practice, and which could have been eliminated. An undue proportion of the act was taken up with the plan to prevent the control of the institution by any of the so-called interests. This was certainly very elaborately safeguarded.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

Yes. My opinion is that the money spent for the National Monetary Commission was worse than wasted. The best way to "modify" it would be to put it in the fire.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

Yes. I think well of the plan and believe its operation would be beneficial and satisfactory. I see little real objection to the plan.

J. H. STEWART,
Wichita, Kans.

Yes. My opinion is that the money we spent for the National Monetary Commission was worse than wasted. The best way to "modify" it would be to put it in the fire.

KARL F. M. SANDBERG,
Chicago, Ill.

I am familiar with this plan. It seems to me devised to create a money trust. The complicated method of electing directors gives an opportunity to designing men to get control of the money affairs of the Nation, to their own very great profit. The plan has been rejected by the principal political parties and can not be resurrected. Requiescat in pace.

THEODORE GILMAN,
New York, N. Y.

Yes; I am familiar with the recommendations of the National Monetary Commission. The suggestions are good, except that in order to be effective and accomplish the desired results your central organization must be in reality a central bank, not in the European sense, but central in the sense that it is the head to the banks of this country. Otherwise it will fail to accomplish what is desired. The national reserve association as recommended really would be a bank under another name. The plan as recommended, in my judgment, can be greatly simplified by simply forming your one-head organization and providing for a branch of that organization in every reserve center as business conditions of the country demand. These branches would all pay a part of your head, and under control of that head, and each bank should be allowed to deal direct with the nearest branch of this central organization for their convenience and for the convenience of the people they serve.

J. R. GREENLEES,
Lawrence, Kans.

I have read the synopsis contained in the yearbook of the Encyclopœdia Britannica; am opposed to weakening the powers of the Government by a newly created United States bank called reserve association.

SIGMUND FEUST,
President South Bronx Property Owners' Association, New York City.

Yes; I have fully read that report and the bill connected with it to incorporate the national reserve association. That report and the offering of such a bill is an insult to the American people. It proposes to make the national reserve association the fiscal agent of the Government, handling and having on deposit, on the average, about three hundred millions of the people's money; and then section 13 reads:

SEC. 13. The national reserve association and its branches and the local associations shall be exempt from local and State taxation, except in respect to taxes upon real estate.

Surely a banker should not be required to pay any taxes. They never did.

SEC. 24. The Government of the United States and banks owning stock in the national reserve association shall be the only depositors in said association. All domestic transactions of the national reserve association shall be confined to the Government and the subscribing banks, with the exception of the purchase or sale of Government or State securities or securities of foreign Governments or of gold coin or bullion.

A fine mix-up with foreign affairs.

Read section 25:

SEC. 25. The national reserve association shall pay no interest on deposits.

Sure not! Three hundred millions without interest! The devil himself would not ask any more.

CARL PIEPER,
Menomonie, Wis.

QUESTION NO. 33.

As one of several plans suggested to mobilize the banking reserves and provide elastic currency it has been suggested that the Treasury Department establish a division to be called the "Federal reserve division," which should conduct reserve agencies in each reserve city to exercise the functions of the proposed reserve banks; receive capital from member banks to the extent of 10 per cent of their capital and surplus; pay 5 per cent interest to the banks upon such capital, but without permitting the banks to manage the reserve agencies directly or indirectly; that such reserve agencies should discount short-term prime commercial paper and furnish Treasury-note currency where needed to member banks under reasonable safeguards to prevent inflation, thereby mobilizing the reserves and furnishing elastic currency directly to the qualified banks. This suggestion carries with it a more thorough examination of the national banks and makes the indebtedness to the Government by such banks a first lien on the assets of the banks. What do you think of such a suggestion?

ANSWERS.

I am not in favor of the Government going into the banking business. It should get out instead of going in further. The banking business should be carried on by bankers, with strict regulations by the Government.

The bankers do not object to regulations, but they do want a means of procuring currency for the payment of deposits and for meeting fluctuating demands for currency in crop-moving seasons, providing they have good and safe assets to secure such currency.

S. H. Burnham,
President First National Bank of Lincoln, Lincoln, Nebr.

The plan as outlined here would not do the work, in my judgment. The business of the country would not furnish the capital for an institution in which they had no say or share and which would be managed by what is known as politicians, to whom banks are sometimes, I think, unnecessarily antagonistic. Any scheme that would make the indebtedness to the Government or anyone else a first lien on the assets of any bank would be a rank discrimination against the bulk of its creditors, the depositors, and would be an injustice that would not inspire confidence in depositors of banks in times of extreme stress or panic. These depositors might, through fear, demand their deposits faster than the Government or reserve associations could print the money.

I think this question of banking and currency legislation is the greatest question before the American people to-day, by the side of

which the tariff and all other questions sink into insignificance, and it should be approached with deliberation and caution. No currency should be permitted to be issued that is not as good as gold and have the Government guaranty behind it, and there should be ample security to protect the Government in the meantime, and nothing should be done to disturb the status of the ordinary depositor, who furnishes to-day 95 per cent of the credit and circulating medium, bank checks and drafts, to transact the business of the country, and, if possible to do so, his interest should be paramount to any other, or at least deemed equal to the bank-note creditors.

FRED H. QUINCY,
President Planters' State Bank, Salina, Kans.

I do not believe the Treasury Department should become so closely identified with the banking business of the country as is suggested by the establishment of a Federal reserve division. It is unwise and dangerous to have the central authority governing our financial system in any way connected with politics. Our commercial interests could not afford to have the financial control of the country one of the rewards for party success.

A. L. MILLS,
President First National Bank, Portland, Oreg.

If the central-reserve scheme is not adopted, I would be heartily in favor of something along the lines indicated.

There is a pressing need for more elastic currency, as well as more plans by which local banks can receive aid except in their reserve cities. In other words, our natural borrowing banks for this territory are Kansas City and St. Louis, but there might come a time in the future, as it has already in the past, where it would be impossible for us to borrow from either of these places, therefore, you can see how easy it would be to embarrass a local institution.

I trust your committee will work out an intelligent plan by which this evil may be cured, and that in the future we will not be handicapped as we have in the past. It occurs to me that our currency system, as well as our banking laws, as a whole, are in bad form—antiquated, and, to a large extent, have outlived their usefulness—and it is time they should be remedied by a thorough overhauling, if necessary, that a radical change be made to cure the many existing evils.

D. N. FINK,
President Commercial National Bank, Muskogee, Okla.

Why further commit the Government to entangle itself with business affairs, except to see that proper law is made and obeyed?

Nationalize banking, and so permit proper classification of the business and its thorough examination and control.

WM. INGLE,
Vice President Merchants-Mechanics National Bank,
Baltimore, Md.

Regarding the proposed Federal reserve division of the Treasury Department to conduct reserve agencies in each city, etc., I would say that there seems to be no more reason for the Government to conduct the banking business of the country than to operate railroads and manufacturing plants. The recent proposal to establish Federal reserve banks is a great step in advance over our present system and would afford a much-needed relief to the business interests of the country. In my opinion, however, a central reserve association on the general lines of the one proposed by the Monetary Commission would be much better, but best of all would be a bank of the United States. The banks of England, France, and Germany act for the common welfare of their respective countries, and in our case such an institution, serving only the banks of the country and the United States Government, would be a dignified and strong institution and could establish and carry out a definite financial policy. With the Government a strong factor in its management, surely we can devise some plan by which it would not be dominated by private monetary interests.

ROBERT D. KENT,
President Merchants' Bank of Passaic, Passaic, N. J.

I favor avoiding Government control as much as possible. Let the banks be the Government agents. The banks should manage the reserve agencies and make Government collections at no cost to the Government.

The reserve agencies should discount commercial, cattle, grain, and packing-house paper, and bank paper when needed by its members.

J. R. MULVANE,
President Bank of Topeka, Topeka, Kans.

It appears to me entirely impracticable for the Government to enter into the banking business in the manner suggested in the proposition—to establish a department of the Treasury to be known as the Federal reserve division.

JAMES K. LYNCH,
Vice President First National Bank of San Francisco.

The partnership between the United States Government and the banks of the United States should be dissolved without further delay. The Government does not need any partner.

HARRY B. FISH,
Secretary People's Money League, Chicago, Ill.

I do not favor the establishment of a Federal reserve division. I am against allowing a Government reserve agency making loans on commercial paper. There will come a time when the financial world

will become top-heavy with so-called commercial paper, in my opinion. I don't want to see the responsibility for the issue of emergency currency all placed on one Federal agent.

J H. STEWART,
Wichita, Kans.

The establishment of a Federal reserve division by the Treasury Department is a step in the right direction.

Such a division should be established, not to oversee a reserve agency, but to conduct the reserve business.

This division should have full control of the issue and redemption of national currency.

It should receive through the several subtreasuries and direct from the banks all reserve funds not required to be kept in the home vaults.

It should receive on reserve account nothing but 2 per cent national bonds, and should have at all times bonds equal in face value to the aggregate of all reserve funds in its custody.

Interest upon all bonds held by the reserve division should be collected for the benefit of the reserve fund.

Interest at the rate of 2 per cent per annum should be credited to all reserve accounts quarterly, upon the average daily balance of each account, for the quarter last passed.

Withdrawals of bank reserve should be paid by the issue of national currency, and bonds equal in face value to the notes issued should be canceled.

The Treasury being relieved from the payment of interest upon all that part of the public debt represented by currency in circulation should prepare all currency and distribute the same through the subtreasuries and the mail, thus relieving the banks and the public from the exorbitant charges of the express companies.

This plan would cause bonds to be in great demand, but so long as bonds could be obtained at the Treasury in exchange for currency, bonds could not go to a premium.

EUGENE MARSHALL,
Manchester, Tenn.

The partnership between the United States Government and the banks of the United States should be dissolved promptly. The Government does not need any partner.

KARL F. M. SANDBERG,
Chicago, Ill.

This seems to be another form of my suggestion in regard to adopting the German method of handling this matter, which is private ownership and Government control. I firmly believe that this matter should be divorced from the Treasury and put into the hands of a great banking organization, for the reason that the Treasury can not have powers that a bank must have in order to protect these reserves. I wish to call attention to the fact that it is not more money which we need, or more currency. When our records show $1,500,000,000, or nearly 50 per cent of all our currency, locked up

by law as reserve, that is proof enough of this assertion. Some organization must be effected that will keep our reserves from being piled up in the New York banks as they are to-day, for there is where our money scares come from, as it is impossible to move these reserves out of New York quickly, because the minute they reach there they are loaned out on the stock market; and we have at this moment the spectacle of the precious reserve fund of the country bank, practically all of it being sent through other reserve centers to New York, because they are paying 2 per cent on daily balances for the use of this money, placing it in stock-market loans, which can not be collected except as the stocks which are up as collateral can be sold, and if the banks of the country to-day were to check $100,000,000 (which is only one-seventh of the deposits which they have in other banks and which are there in nearly every instance in order to get 2 per cent on their reserve) of this fund out, you would see a panic from one side of this country to the other inside of five days' time, because the New York banks can not meet a withdrawal of this amount without precipitating a panic, because they are forced to collect these funds before they can repay them to the country bank. I do not know why the Government of the United States should have a first lien on the assets of the banks under this suggestion any more than I should. Make a sound system and provide an organization that is absolutely safe, not for the protection of the Government but for the protection of the individuals who compose that Government.

I wish further to call attention to the fact that we have, under our present arrangement, nearly $1,500,000,000 of gold in the United States Treasury, which is securely locked up and safely guarded, and which in emergencies does the people no more good than if it were back in the mountains from which it came, because we have by law locked up $1,500,000,000 of the paper which represents that gold, which is supposed to be in the hands of the people, but which is locked up as legal reserve and can not be used without violating the law. Give us such an organization for the head of our banks as outlined, and deposit these huge sums in the organization, and the United States becomes immediately the strongest nation on earth financially instead of one of the weakest, as we are to-day. In addition to these changes, why not take such steps as are needed to authorize your central organization to maintain a branch in the important cities of other countries, especially South America, in order that we may no longer be handicapped by having to finance commerce with these countries through London, as we are doing to-day in most cases.

J. H. Greenlees,
Lawrence, Kans.

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